

**Global Markets Research**
**Daily Market Highlights**

# 10-Dec: Risk aversion weighed on stock, oil prices

## Omicron uncertainties triggered selling of US stocks

## USD strength regained momentum; yields fell

## PBOC raised banks' FX reserve requirement to curb strong Renminbi

- Rally in the US equity market took a pause on Thursday as investors sold stocks ahead of US CPI data set to be released on Friday. The Dow Jones Industrial Average was unchanged whereas the S&P 500 and NASDAQ closed 0.7% and 1.7% lower respectively, snapping a three-day winning streak. Cautious sentiment was spurred by the spread of the Omicron variant that has prompted some European governments to tighten travel restrictions.
- US treasury yields fell on Thursday after advancing for three consecutive sessions. The yield on 10Y UST edged lower by 2bps to 1.50%. Markets are looking towards key central bank decisions next week, anticipating the Fed to quicken its bond tapering pace.
- The dollar strength regained momentum following the return of risk aversion. The USD strengthened against most currencies in the G10 basket. JPY advanced alongside lower US yield while GBP rebounded from prior decline. The dollar index rose 0.4% to 96.27.
- Chinese RMB (both on and offshore) plunged 0.5%. China's PBOC ordered the country's banks to hold a 9% FX reserve ratio, starting on 15 December, a 2ppts increase from its current requirement in a bid to curb the strengthening yuan. The central bank had raised the FX reserve requirement by 2ppts in June this year.
- On the local front, USD/MYR closed 0.2% lower for the second session at 4.2165 on Thursday. The return of risk aversion in the broader market in anticipation of major data and events, as well as concerns over the Omicron variant are expected to drive some recovery in USD/MYR following two sessions of losses. We expect the pair to maintain a weekly range of 4.20-4.25, with 4.25 serving as a key psychological resistance.
- Gold prices slumped to \$1774.60/oz (-0.5%) as the USD strengthened. Oil prices plummeted alongside lower equity prices, giving up some recent gains as risk sentiments turned sour. Brent crude shed 1.9% to \$74.42/barrel while WTI settled nearly 2.0% lower at \$70.94/barrel.

**Key Market Metrics**

	Level	d/d (%)
<b>Equities</b>		
Dow Jones	35,754.69	0.00
S&P 500	4,667.45	-0.72
NASDAQ	15,517.37	-1.71
Stoxx 600	476.99	-0.08
FTSE 100	7,321.26	-0.22
Nikkei 225	28,725.47	-0.47
Hang Seng	24,254.86	1.08
Straits Times	3,142.45	0.41
KLCI 30	1,501.79	0.52
<b>FX</b>		
Dollar Index	96.27	0.39
EUR/USD	1.1293	-0.44
GBP/USD	1.3221	0.13
USD/JPY	113.49	-0.16
AUD/USD	0.7149	-0.32
USD/CNH	6.3798	0.53
USD/MYR	4.2163	-0.20
USD/SGD	1.3650	0.24
<b>Commodities</b>		
WTI (\$/bbl)	70.94	-1.96
Brent (\$/bbl)	74.42	-1.85
Gold (\$/oz)	1,774.60	-0.49

Source: Bloomberg, HLBB Global Markets Research

## US initial jobless claims fell to 184k last week; US household net worth rose 2.4trillion:

- Initial jobless claims fell by 43k w/w to 184k last week, from 227k prior. The reading was better than the consensus estimates of 220k and was the lowest since 1969. The continuous decline in new claimants for unemployment benefits highlights the strengthening of the labour market as firms continued to demand for more workers towards the year end. The challenge remains in the supply of workers as demonstrated in the weaker NFP job growth in November.

- US household net worth rose by \$2.4trillion in the third quarter of 2021, following a \$6.1trillion climb in the previous quarter. 3Q marked the softest growth in household wealth since the reopening of the economy last year, driven partly by the decline in equity prices in that quarter; nonetheless American net worth was still the highest on record at nearly \$145 trillion in 3Q, a positive sign for consumer spending.

#### Japan's business conditions improved in 4Q:

- Japan's BSI Large Manufacturing Index rose 7.9% q/q in the fourth quarter, extending from the 7.0% q/q gain in the third quarter; the BSI All Industry Index rose sharply by 9.6% q/q (3Q: +3.3%) pointing to firmer business condition at year end after restrictions were lifted.
- In a separate note, machine tools orders fell 2.6% m/m in November (Oct: +3.2%), marking its first monthly decline in three months. Orders on the domestic front and from overseas both went down. Y/y, orders were 64.0% higher (Oct: +81.5%)

#### China's factory inflation eased from record rate; consumer inflation accelerated:

- China's producer price inflation eased to 12.9% y/y in November, from the record rate of 13.5% in October as factory price pressure softened for the first time in five months.
- Meanwhile, consumer price index rose 2.3% y/y in the same month, from 1.5% previously, driven by the rebound in food prices (+1.6% y/y) as the prices of vegetables surged over 30%. This was partially offset by the decline in prices of pork (-32.7%). NBS officials attributed the higher food inflation to seasonal demand, increasing costs and Covid outbreaks.

#### New Zealand's manufacturing PMI weakened; retail spending picked up:

- New Zealand's BusinessNZ Manufacturing PMI slipped to 50.6 in November, from 54.2 previously. New orders managed to rise at a solid pace but were offset by the overall weakening of operating conditions such as the fall in employment and deliveries (at below 50) as well as slower growth in production.
- Retail card spending rose 9.6% m/m in November (Oct: +10.0%) as Covid restrictions eased and allowed for more non-essential shopping in New Zealand.

### House View and Forecasts

FX	This Week	4Q-21	1Q-22	2Q-22	3Q-22
DXY	95-97	94.50	95.00	95.50	96.50
EUR/USD	1.12-1.14	1.15	1.14	1.14	1.13
GBP/USD	1.31-1.33	1.35	1.35	1.34	1.33
AUD/USD	0.69-0.72	0.72	0.71	0.71	0.70
USD/JPY	112-114	112	113	114	115
USD/MYR	4.20-4.25	4.15	4.15	4.15	4.15
USD/SGD	1.36-1.38	1.35	1.34	1.33	1.34

  

Policy Rate %	Current	4Q-21	1Q-22	2Q-22	3Q-22
Fed	0-0.25%	0-0.25%	0-0.25%	0-0.25%	0-0.25%
ECB	-0.50	-0.50	-0.50	-0.50	-0.50
BOE	0.10	0.10	0.10	0.10	0.25
RBA	0.10	0.10	0.10	0.10	0.10
BOJ	-0.10	-0.10	-0.10	-0.10	-0.10
BNM	1.75	1.75	1.75	1.75	1.75

Source: HLBB Global Markets Research

### Up Next

Date	Events	Prior
10/12	MA Industrial Production YoY (Oct)	2.5%
	UK Monthly GDP (MoM) (Oct)	0.6%
	UK Industrial Production MoM (Oct)	-0.4%

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	UK Construction Output MoM (Oct)	1.3%
	UK Index of Services MoM (Oct)	0.7%
	UK Visible Trade Balance GBP/Mn (Oct)	-£14736m
	US CPI YoY (Nov)	6.2%
	US U. of Mich. Sentiment (Dec P)	67.4
13/12	NZ Performance Services Index (Nov)	44.6
	JP Tankan Large Mfg Index (4Q)	18.0
	JP Core Machine Orders MoM (Oct)	0.0%

Source: Bloomberg

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