Global Markets Research

Daily Market Highlights

Key Takeaways

- **US stock benchmarks hit record highs in the first week of 2021** as markets largely ignored the Capitol Hill riots and **focused on potential economic stimulus** offered by the incoming Administration and a Democrats-controlled Congress. Investors also **shrugged off the first NFP losses in eight months.** On Friday, the Dow Jones rose 0.2%, the S&P500 edged up by 0.6% while NASDAQ notched 1.0% gain. For the week, the Dow and S&P 500 gained 1.6% and 1.8% respectively while NASDAQ outperformed at 2.4% w/w. All indexes were at their all-time highs.

- **US treasuries yields rose last week** as investors dumped government bonds in favour of stocks. Yield on 10Y UST hit 1.0% in mid-week and rose further to close at 1.1% on Friday. **Gold futures fell** sharply by 4.1% d/d on Friday after swinging between gains and losses throughout last week. The precious metal shed 3.2% w/w amid bullish sentiments that worked against safe haven assets. **Crude oil prices surged** last week in the wake of Saudi Arabia's voluntary oil cut. Brent crude jumped by nearly 3% d/d on Friday and clinched a massive 8.1% weekly gain.

- **Official job data confirmed the weakening of US job market,** battered by the surge in Covid-19 virus since fall. **NFP fell by 140k in December,** versus expectations for a 50k gain. This is **consistent with the 123k decline in ADP.** Unemployment rate was steady at 6.7%. Meanwhile across the Atlantic, unemployment rate in the Eurozone fell to 8.3% in November; not a full representation of the labour market as cautioned by the Eurostat. **Malaysia's foreign reserves rose to $107.6b in December thanks to a weaker USD.**

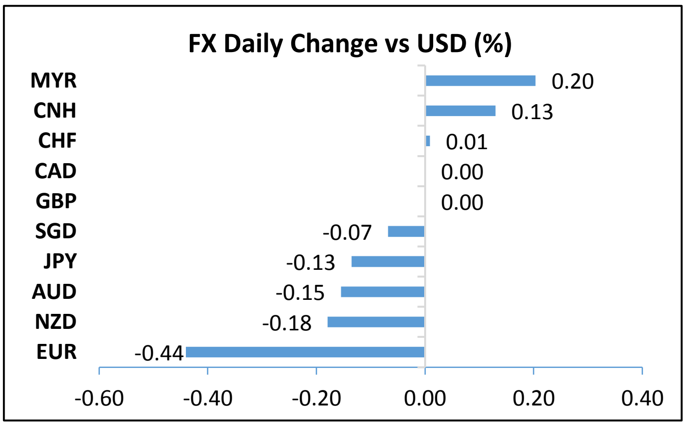
- Meanwhile, the dollar index rose for the third consecutive session (+0.3% d/d) on Friday and strengthened 0.2% w/w to 90.10 as the greenback enjoyed a broad-based resurgence following the Democrats' double victory at the Georgia runoff elections. Event risks still linger from the break in of the Capitol as reports of a defiant final week in the office comes to surface. We are still **neutral to bearish USD** this week.

- USD/MYR weakened by 0.2% d/d to 4.0295 on Friday, closing the week out with 0.2% w/w gain amid bullish USD sentiment. The pair is poised for some technical correction from recent losses, now that it has moved further away from oversold position and momentum indicator has turned slightly positive. This could be short-lived as USD weakness resumes. We are looking at a likely range of 3.98-4.04 in the week ahead, overall **neutral to bullish MYR** still.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	31,097.97	0.18	1.61
S&P 500	3,824.68	0.55	1.83
FTSE 100	6,873.26	0.24	6.39
Hang Seng	27,878.22	1.20	2.38
KLCI	1,633.19	1.89	0.37
STI	2,993.19	2.97	5.25
Dollar Index	90.10	0.30	0.39
WTI oil ($/bbl)	52.24	2.77	7.67
Brent oil ($/bbl)	55.99	2.96	7.92
Gold (S/oz)	1,835.40	-4.09	-2.66
CPO (RM/tonne)	3,970.00	1.77	4.80

Source: Bloomberg



Source: Bloomberg

Up Next

Date	Events	Prior
11/01	AU Retail Sales MoM (Nov F)	7.0%
	CH PPI YoY (Dec)	-1.5%
	CH CPI YoY (Dec)	-0.5%
	MA Industrial Production YoY (Nov)	-0.5%
	EC Sentix Investor Confidence (Jan)	-2.7
12/01	US NFIB Small Business Optimism (Dec)	101.4

Source: Bloomberg

Macroeconomics

- ***US posted job losses for the first time in April:***
  - Nonfarm payrolls fell by 140k in December (Nov: +336k revised) according to the latest data published by the BLS, marking the US economy's first record of job losses since the massive layoffs in April during the earlier months of the Covid-19 pandemic. This compares to the Bloomberg's consensus estimate of a 50k gains, consistent with the recent (-123k) losses in the ADP private employment. Notably, job gains in October and November were collectively revised upwards by 135k, offering a small relief.
  - Job losses in December came primarily from the leisure and hospitality sector (-498k) that was hard hit by the surge in Covid-19 cases since fall. The education & health care sector (-31k) as well as state and local governments (-45k) also shed jobs. These losses were partially offset by gains in manufacturing (+38k) and construction (+51k).
  - Unemployment rate was unchanged at 6.7%, as opposed to consensus estimate of 6.8%.
  - The average hourly earnings gained 0.8% m/m in December (Nov: +0.3%), translating to a 5.1% y/y gain (Nov: +4.4%).

- ***Eurozone unemployment rate fell in November:*** Unemployment rate fell to 8.3% in November (Oct: 8.4%), much better than consensus forecast of 8.5%. Eurostat which published the data however cautioned that the data might underestimate the actual impact of the pandemic on the bloc's labour market as it does not take into account unemployed individuals who are no longer available for work or not looking for jobs. Government's job retention schemes also masked the actual conditions of the job market.

- ***Malaysia's foreign reserves increased for the second month amid weaker dollar:*** The international reserve of Bank Negara Malaysia rose further to $107.6b as at 31 December (prior: $105.7b), as MYR strengthened against the USD in the last month of 2020. The reserves were sufficient to finance 8.6 months of retained imports and is 1.2 times short-term external debt.

Forex

MYR (Neutral)

- USD/MYR weakened by 0.2% d/d to 4.0295 on Friday, closing the week out with 0.2% w/w gain amid bullish USD sentiment. The pair is poised for some technical correction from recent losses, now that it has moved further away from oversold position and momentum indicator has turned slightly positive. This could be short-lived as USD weakness resumes. We are looking at a likely range of 3.98-4.04 in the week ahead.
- **Factors supporting**: Economic recovery, less dovish MPC, USD weakness
- **Factors against**: Risk aversion, domestic politics, second lockdown.

USD (Neutral-to-Bearish Outlook over 1 Week Horizon)

- DXY traded mostly sideways on Friday, closing the trading session at 90.10. Event risks still linger from the break in of the Capitol as reports of a defiant final week in the office comes to surface. We view an intraday range of 90.03-90.33 as of writing.
- **Factors supporting**: Return of risk aversion, Global tensions
- **Factors against**: Ultra-easy Fed policy to continue, economic recovery, vaccination

EUR (Neutral-to-Bullish)

- EUR/USD closed the week with modest losses, settling above the 1.2200 level. This comes as the USD strength put a stop to the bullish EUR momentum. We view 1.2400 as the big figure to break.
- **Factors supporting**: Improvement in Eurozone fundamentals
- **Factors against**: Risk aversion, Covid-19 outbreak, ECB introducing further monetary measures

GBP (Neutral-to-Bullish)

- GBP/USD closed Friday relatively unchanged at 1.3568, down weekly basis but within familiar levels. The demand for the pound has been undermined by the mutation of the coronavirus in UK. Despite the tough lockdown announced late in December, the number of cases keep increasing to bring the health systems to the brink of collapse.
- **Factors supporting**: Rapid increase in vaccination rates
- **Factors against**: Risk aversion, Covid-19 outbreak, Bank of England increasing monetary accommodation

JPY (Neutral-to-Bullish)

- USD/JPY reached 104.08, the highest in three weeks to end the trading session at 103.94. The pair found support in US Treasury yields, which advanced to levels that were last seen in March 2020. The pair's bullish potential depends on a break over the 104.45 price zone.
- **Factors supporting**: BOJ policy, risk aversion
- **Factors against**: Weak fundamentals, Covid-19 outbreaks in Japan

AUD (Neutral-to-Bullish)

- AUD/USD had a choppy day of trading on Friday, trading as high as 0.7794 before suffering a minor late setback to end the day at 0.7757. The pair has managed to rise for eight consecutive weeks even before late Friday's collective pullback.
- **Factors supporting**: Fundamentals improve from current levels, export recovery (terms of trade)
- **Factors against**: Risk aversion, RBA policy, Australia-China relations

SGD (Neutral-to-Bullish)

- USD/SGD had a choppy day of trading on Friday, rising as high as 1.3287 before closing the session at 1.3255. We retain our bullish stance on the pair as weakness in the US dollar stemming from politics may come into play this coming week.
- **Factors supporting**: Economic recovery, CNH strength

Factors against: Risk aversion, global tensions

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