

## Global Markets Research

### Daily Market Highlights

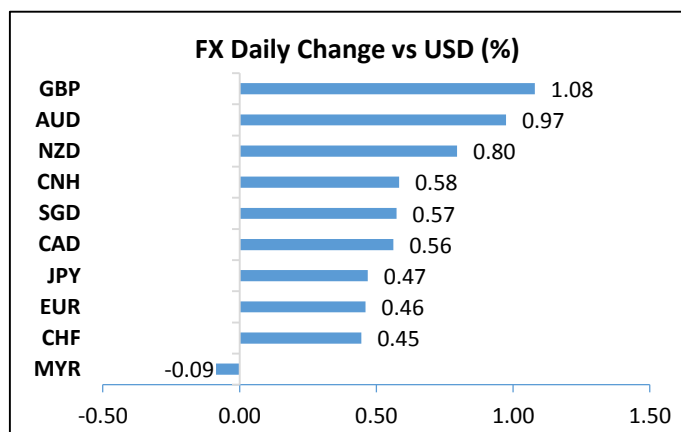
#### Key Takeaways

- US stocks** swung between gains and losses to **close slightly higher overnight ahead of the earnings season** as investors favoured cyclical sectors in anticipation of an economic recovery driven by vaccine rollout and more fiscal stimulus. The Dow Jones ended 0.2% higher, the S&P500 was little changed and NASDAQ picked up 0.3%. Gains were led by energy, consumer discretionary and financials shares. **Treasury yields retreated** as the Treasury Department's auction of \$38b benchmark 10-year notes drew strong demand. Overall yields fell 0-2bps across the curve. 10Y UST yield last traded at 1.13%.
- Federal Reserve officials offered mixed comments on any future bond tapering following the recent surge in yields amid renewed higher inflation expectations.** In separate event/interview, Bullard and Rosengren pared back tapering expectations, indicating that more time is needed for the economy to recover before getting into the tapering debate. This came after Bostic and Kaplan said recently that they were open to discussing tapering provided that the economic recovery was strong. Both saw such possibility by the end of the year.
- Gold futures continued to whipsaw, falling 0.4% to \$1844.2/oz. The dollar snapped four-day winning streak; the dollar index shed 0.4% to \$90.07; major currencies rebounded against the greenback, led by GBP. **The pound had rallied as BOE Governor Andrew Bailey pushed back expectations for negative interest rates.** Crude oils' bullish momentum extended into Tuesday's session to **more than 10-month high**, amid expectation of lower supply - Brent crude rose 1.6% to \$56.58/barrel while WTI surged 1.8% to \$53.21/barrel.
- Data was limited to **US Small Business Optimism** Index which **fell for the second month in December** amid surging Covid-19 cases.
- DXY had a choppy day of trading as it closed the day near the 90.09 region. The US dollar was slightly down after hitting its highest since December. Democrats have given outgoing US President Trump one last chance to leave office on Tuesday or face a second impeachment. USD may see some **consolidation** after recent gains but bulls have not been entirely eliminated.
- USD/MYR retraced intraday gain, pulling back from the daily high of 4.0760, before closing Tuesday's session marginally higher (+0.1%) at 4.0565. We are **neutral** on the pair on a daily basis, but did not rule out some brief sell-down as the pair tracks major currencies' overnight movement. The strong USD momentum is likely to take a pause today as markets digests Fed officials' comments on QE tapering while continue to anticipate major US stimulus. Expect pair to range within 4.03-4.07.

#### Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	31,068.69	0.19	1.51
S&P 500	3,801.19	0.04	1.20
FTSE 100	6,754.11	-0.65	4.54
Hang Seng	28,276.75	1.32	3.84
KLCI	1,612.04	-0.32	-0.93
STI	2,977.17	-0.23	4.69
Dollar Index	90.09	-0.41	0.17
WTI oil (\$/bbl)	53.21	1.84	9.67
Brent oil (\$/bbl)	56.58	1.65	9.23
Gold (\$/oz)	1,844.20	-0.36	-2.07
CPO (RM/tonne)	3,960.00	-0.36	4.54

Source: Bloomberg



Source: Bloomberg

#### Up Next

13/01	EU Industrial Production SA MoM (Nov)	2.1%
	US MBA Mortgage Applications (08 Jan)	1.7%
	US CPI YoY (Dec)	1.2%
14/01	JN Core Machine Orders MoM (Nov)	17.1%
	UK RICS House Price Balance (Dec)	66%
	US Initial Jobless Claims (09 Jan)	787k
	US Import Price Index YoY (Dec)	-1.0%
	CH Exports YoY (Dec)	21.1%
	CH Imports YoY (Dec)	4.5%

Source: Bloomberg

## Macroeconomics

- **US small business optimism retreated in December:**
  - The NFIB Small Business Sentiment Optimism Index fell to a seven-month low of 95.9 in December, from 101.4 in November, lower than consensus forecast of 100.2
  - The index has now fallen for the second consecutive month as weaker sentiment among America's small firms reflects new social distancing restrictions introduced across US states following the surge in Covid-19 cases nationwide in November.
  - Notably, breakdown shows that fewer business owners "expect better economy", as the gauge slipped to -16%. The "expect higher sales" index also fell to -4%.

## Forex

### MYR (Neutral)

- USD/MYR retraced intraday gain, pulling back from the daily high of 4.0760, before closing Tuesday's session marginally higher (+0.1%) at 4.0565. We are neutral on the pair on a daily basis, but did not rule out some brief sell-down as the pair tracks major currencies' overnight movement. The strong USD momentum is likely to take a pause today as markets digests Fed officials' comments on QE tapering while continue to anticipate major US stimulus. Expect pair to range within 4.03-4.07.
- **Factors supporting:** Economic recovery, less dovish MPC, USD weakness
- **Factors against:** Risk aversion, domestic politics, second lockdown.

### USD (Neutral-to-Bullish Outlook over 1 Week Horizon)

- DXY had a choppy day of trading as it closed the day near the 90.09 region. The US dollar was slightly down after hitting its highest since December. Democrats have given outgoing US President Trump one last chance to leave office on Tuesday or face a second impeachment.
- **Factors supporting:** Democratic sweep reducing reliance on monetary policy, return of risk aversion, Global tensions
- **Factors against:** Ultra-easy Fed policy to continue, economic recovery, vaccination

### EUR (Neutral-to-Bearish)

- EUR/USD saw significant upside in recent trade to rally above the Monday high and to close the session 0.5% higher at 1.2207. A broad weakening of the US dollar at the start of the US trading hours sent it to the bottom of the G10 performance table.
- **Factors supporting:** Improvement in Eurozone fundamentals
- **Factors against:** Risk aversion, Covid-19 outbreak, ECB introducing further monetary measures

### GBP (Neutral-to-Bearish)

- GBP/USD traded mostly upwards on Tuesday, closing the day on a high of 1.3664. The Pound was the best performer against the greenback (+1.1%) on Tuesday as the Bank of England cooled expectations of negative rates. 1.3704 is the immediate big figure to break.
- **Factors supporting:** Rapid increase in vaccination rates
- **Factors against:** Risk aversion, Covid-19 outbreak, Bank of England increasing monetary accommodation

### JPY (Neutral-to-Bearish)

- USD/JPY had a choppy day of trading, closing the day out at 103.76. Japan published the November trade balance, which boasted a positive surplus but was below the previous reading. We continue to watch for a 105.00 resistance.
- **Factors supporting:** BOJ policy, risk aversion
- **Factors against:** Weak fundamentals, Covid-19 outbreaks in Japan

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#### AUD (Neutral-to-Bearish)

- AUD/USD recovered towards the 0.7660 zone as the US dollar came under selling pressure. The pair closed the day out at 0.7772, as the market mood improved albeit with certain caution prevailing. Support is at 0.7420 and the next big figure to overcome is 0.7850.
- **Factors supporting:** Fundamentals improve from current levels, export recovery (terms of trade)
- **Factors against:** Risk aversion, RBA policy, Australia-China relations

#### SGD (Neutral)

- USD/SGD traded as high as 1.3317 before suffering a late setback to end the day at 1.3233. We view a range of 1.3225-1.3350 for the pair. Resilient fundamentals may insulate the SGD partly against dollar strength, alongside prior underperformance.
- **Factors supporting:** Economic recovery, CNH strength
- **Factors against:** Risk aversion, global tensions

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