Global Markets Research

Daily Market Highlights

14-Dec: US stocks fell amid Omicron fear

Omicron-related concerns spurred flight to safety again

US stocks and treasuries yields plunged; USD strengthened

Gold advanced on safety appeal while oil fell amid demand concern

- US stocks took a turn and fell across the board, led by selloffs in consumer discretionary and energy stocks. The Dow and S&P500 each lost 0.9% d/d while the NASDAQ registered a bigger 1.4% decline. Stocks fell in Europe and were mixed in Asia earlier.

- Markets were reeled in risk-off mode again as the UK reported the first Omicron death. UK Prime Minister Boris Johnson had warned of a "tidal wave" earlier and cases continued to rise in the UK and Europe. The Omicron variant accounted for around 40% of the Covid infections in London and there were reports which claimed the ineffectiveness of vaccines against this variant.

- US treasuries gained on haven demand, pushing yields down 2-8bps across the curve, most notably in the long-ends. The yield on the benchmark 10Y UST fell 7bps to 1.42%, flattening the curve on expectation of a hawkish shift by the Fed at the upcoming FOMC meeting.

- The dollar regained lost ground, rising 0.2% to 96.32 as the greenback saw renewed strength against all G10s. We believe USD strength will prevail given positive yield differential as the Fed is expected to remain in the forefront of policy normalisation/ tightening vis-à-vis its peer central banks.

- On the local front, USD/MYR reversed course and advanced 0.4% d/d to settle at 4.2285 on Monday's close, as the pair shrugged off sideway trading and started its sharp upward move in European session. We are *Neutral-to-Slightly Bullish* on USD/MYR in the week amid major central banks' policy decision, including the Fed, ECB, BOE and BOJ. A more hawkish Fed potentially detailing quicker asset tapering pace will likely be positive USD, hence capping downside in the pair. We continue to eye a range of 4.20-4.25 for USD/MYR in the week ahead.

- Gold futures continued to climb, up 0.2% to $1788.30/oz, spurred by its safety appeal amid renewed Omicron fear. Oil prices however fell on demand concern. Brent crude plunged 1.0% to $74.39/barrel while WTI slipped 0.5% to $71.29/barrel.

Japan saw some positive signs in investment spending:

- Tankan survey for the 4Q brought about some positive vibes although the outlook and optimism remained mixed overall signalling uneven growth outlook. Sentiments in the services sector improved by and large regardless of big or small set-ups while in the manufacturing sector, large manufacturers reported weaker confidence over future outlook (13 vs 14) and smaller manufacturers saw less

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	35,650.95	-0.89
S&P 500	4,668.97	-0.91
NASDAQ	15,413.28	-1.39
Stoxx 600	473.53	-0.43
FTSE 100	7,231.44	-0.83
Nikkei 225	28,640.49	0.71
Hang Seng	23,954.58	-0.17
Straits Times	3,119.95	-0.50
KLCI 30	1,494.86	0.40
FX		
Dollar Index	96.32	0.23
EUR/USD	1.1284	-0.26
GBP/USD	1.3217	-0.42
USD/JPY	113.54	0.09
AUD/USD	0.7131	-0.57
USD/CNH	6.3756	-0.01
USD/MYR	4.2288	0.42
USD/SGD	1.3678	0.21
Commodities		
WTI ($/bbl)	71.29	-0.53
Brent ($/bbl)	74.39	-1.01
Gold ($/oz)	1,788.30	0.20

Source: Bloomberg, HLBB Global Markets Research pessimism (-1 vs -4). The business environment remained challenging overall, further clouded by the Omicron variant, and as large businesses trimmed investment spending.

- Core machine orders picked up steam to increase 3.8% m/m in October (Sept: 0.0%), exceeded expectations, as turnarounds in all sectors except manufacturing (which reported a decrease of 15.4% m/m), provided a lift to overall orders. Growth however tapered off to 2.9% on a year-on-year basis (Sept: 12.5% y/y), camouflaged by some base effects.

New Zealand services sector contracted at a slower pace in November:

- Performance of the services sector in New Zealand climbed higher to 46.5 in November (Oct: 44.9 revised). This however remained in contractionary level for the 4th straight month, as a result of weaknesses in activity/ sales (45.6), stocks/ inventories (46.7), and supplier deliveries (37.8). Employment (50.3 vs 50.0) and new orders/ business (54.4 vs 46.3) are the key drivers leading to less pessimism in the services sector.

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	0.70-0.72	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
14/12	AU NAB Business Confidence (Nov)	21.0
	JP Industrial Production MoM (Oct F)	1.1%
	UK Average Weekly Earnings 3M/YoY (Oct)	5.8%
	UK ILO Unemployment Rate 3Mths (Oct)	4.3%
	UK Employment Change 3M/3M (Oct)	247k
	EZ Industrial Production SA MoM (Oct)	-0.2%
	US NFIB Small Business Optimism (Nov)	98.2
	US PPI Final Demand YoY (Nov)	8.60%
15/12	AU Westpac Consumer Conf Index (Dec)	105.3
	CN Retail Sales YoY (Nov)	4.9%
	CN Industrial Production YoY (Nov)	3.5%
	CN Fixed Assets Ex Rural YTD YoY (Nov)	6.1%
	UK CPI YoY (Nov)	4.2%
	US MBA Mortgage Applications (10 Dec)	2.0%
	US Empire Manufacturing (Dec)	30.9
	US Retail Sales Advance MoM (Nov)	1.7%
	US Import Price Index YoY (Nov)	10.7%
	US NAHB Housing Market Index (Dec)	83.0

Source: Bloomberg

Hong Leong Bank Berhad
Fixed Income & Economic Research,
Global Markets
Level 8, Hong Leong Tower
6, Jalan Damanlela
Bukit Damansara
50490 Kuala Lumpur
Tel: 603-2081 1221
Fax: 603-2081 8936
HLMarkets@hlbb.hongleong.com.my

DISCLAIMER

This report is for information purposes only and does not take into account the investment objectives, financial situation or particular needs of any particular recipient. The information contained herein does not constitute the provision of investment advice and is not intended as an offer or solicitation with respect to the purchase or sale of any of the financial instruments mentioned in this report and will not form the basis or a part of any contract or commitment whatsoever.

The information contained in this publication is derived from data obtained from sources believed by Hong Leong Bank Berhad ("HLBB") to be reliable and in good faith, but no warranties or guarantees, representations are made by HLBB with regard to the accuracy, completeness or suitability of the data. Any opinions expressed reflect the current judgment of the authors of the report and do not necessarily represent the opinion of HLBB or any of the companies within the Hong Leong Bank Group ("HLB Group"). The opinions reflected herein may change without notice and the opinions do not necessarily correspond to the opinions of HLBB. HLBB does not have an obligation to amend, modify or update this report or to otherwise notify a reader or recipient thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

HLB Group, their directors, employees and representatives do not have any responsibility or liability to any person or recipient (whether by reason of negligence, negligent misstatement or otherwise) arising from any statement, opinion or information, expressed or implied, arising out of, contained in or derived from or omission from the reports or matter.

Potential and actual conflict of interest may arise from the activities of HLB Group. HLB Group constitute a diversified financial services group. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, hedging transactions and other activities for their own account or the account of others. In the ordinary course of their business, HLB Group may effect transactions for their own account or for the account of their customers and hold long or short positions in the financial instruments. HLB Group, in connection with its business activities, may possess or acquire material information about the financial instruments. Such activities and information may involve or have an effect on the financial instruments. HLB Group have no obligation to disclose such information about the financial instruments or their activities.

The past performance of financial instruments is not indicative of future results. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Any projections or forecasts mentioned in this report may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information. No assurance can be given that any opinion described herein would yield favorable investment results. Recipients who are not market professional or institutional investor customer of HLBB should seek the advice of their independent financial advisor prior to taking any investment decision based on the recommendations in this report.

HLBB may provide hyperlinks to websites of entities mentioned in this report, however the inclusion of a link does not imply that HLBB endorses, recommends or approves any material on the linked page or accessible from it. Such linked websites are accessed entirely at your own risk. HLBB does not accept responsibility whatsoever for any such material, nor for consequences of its use.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. This report is for the use of the addressees only and may not be redistributed, reproduced or passed on to any other person or published, in part or in whole, for any purpose, without the prior, written consent of HLBB. The manner of distributing this report may be restricted by law or regulation in certain countries. Persons into whose possession this report may come are required to inform themselves about and to observe such restrictions. By accepting this report, a recipient hereof agrees to be bound by the foregoing limitations.