15 January, 2021

HongLeong Bank

Global Markets Research
Daily Market Highlights

Key Takeaways

- US stocks snapped gaining streak overnight; the main US stock benchmarks lost 0.1 to 0.4% ahead of President-elect Joe Biden's stimulus speech. Just this morning, **Biden announced his plan to seek approval on a $1.9trillion fiscal aid package** from Congress that includes $1400 direct payment to individuals and $400 supplementary jobless benefits through September as well as funding for vaccine distribution. **Fed Chair Jerome Powell pushed back expectations on QE tapering and a Fed rate hike this year, citing that "now is not the time" to talk about exit.** This came after a few Fed officials said they were open to discuss tapering if the economic recovery is strong. **Powell vowed to offer clear communications/guidance if the central bank intends to pare back bond buying,** warning against the 2013 taper tantrum.

- **The yield curve steepened as yield at the long ended higher by more than 4bps.** 10Y UST yield last traded at 1.13%. 2s10s (the spread between 2y and 10y treasuries note yields) steepened by 5bps. **Gold futures retreated** 0.2% to $1851.4/oz, continuing its indecisive trend. **The dollar index shed 0.1% to 90.24 as the greenback broadly weakened on Powell's comment.** EUR and CHF were flat. **Crude oil prices rallied on Biden's fiscal plan;** Brent crude picked up 0.6% to $56.42/barrel and WTI shot up by more than 1.0% to $53.57/barrel.

- **US weakening job numbers** took center stage. The number of **first-time jobless benefit applications rose to 965k** last week according to the US Labour Department, its highest level since August, **reflecting higher layoffs in sectors impacted by tighter restrictions** to contain the pandemic. **China's December trade data turned out to be positive** as both exports and imports recorded robust growths that are **supportive of GDP growth in 4Q.**

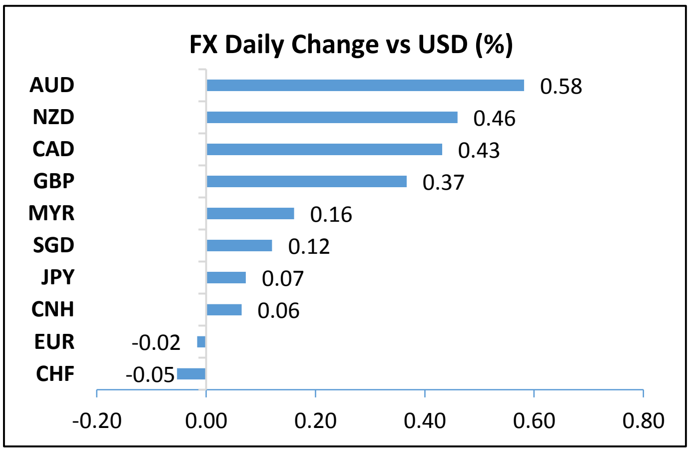
- DXY was down by 0.13% on Thursday, closing at 90.24. US stimulus bill announcements helped weaken the dollar but markets are somewhat nervous of some pushback regarding whether that can be implemented. We keep the **neutral to bullish view for the dollar** over the coming week as event risks in the US play out.

- USD/MYR pulled back for the second session to 4.0365 (-0.2%) on Thursday. The trend is likely to extend to today's session as the greenback retreated overnight. We turn **neutral to bearish on USD/MYR** but caution that markets might hold back ahead of the weekend while digesting news of Biden's fiscal proposal.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	30,991.52	-0.22	1.26
S&P 500	3,795.54	-0.38	1.05
FTSE 100	6,801.96	0.84	5.29
Hang Seng	28,496.86	0.93	4.65
KLCI	1,635.71	-0.06	0.52
STI	3,000.00	0.76	5.49
Dollar Index	90.24	-0.13	0.34
WTI oil ($/bbl)	53.57	1.25	10.41
Brent oil ($/bbl)	56.42	0.64	8.92
Gold (S/oz)	1,851.40	-0.19	-2.61
CPO (RM/tonne)	3,936.00	-0.64	3.91

Source: Bloomberg



Source: Bloomberg

Up Next

15/01	AU Home Loans Value MoM (Nov)	0.7%
	UK Industrial Production MoM (Nov)	1.3%
	UK Visible Trade Balance GBP/Mn (Nov)	-£12.0b
	UK Monthly GDP (3M/3M) (Nov)	10.2%
	EC Trade Balance SA (Nov)	25.9b
	US PPI Final Demand MoM (Dec)	0.1%
	US Empire Manufacturing (Jan)	4.9
	US Retail Sales Advance MoM (Dec)	-1.1%
	US Industrial Production MoM (Dec)	0.4%
	US U. of Mich. Sentiment (Jan P)	80.7
18/01	SG Non-oil Domestic Exports YoY (Dec)	-4.9%
	CN GDP YoY (4Q)	4.9%
	CN Industrial Production YoY (Dec)	7.0%
	CN Retail Sales YoY (Dec)	5.0%
	CN Fixed Assets Ex Rural YTD YoY (Dec)	2.6%
	JP Industrial Production MoM (Nov F)	0.0%

Source: Bloomberg

Macroeconomics

- ***US jobless claims at highest since August:***
  - Initial jobless claims rose by 181k to 965k last week (prior: 784k) according to the Labour Department, the highest number of new filings since August. This reflects increased layoff in sectors hit by the states' restrictions as the number of Covid-19 cases soared in winter.
  - On top of that, continuous claims also rose for the first time in five weeks to 5.27mil for the week ended 2 Jan (prior: 5.07mil).

- ***Positive set of China trade numbers in December:***
  - China's trade surplus improved to $78.2bn in December, from $75.43bn in November. Result shows net exports supportive of GDP growth in 4Q-2020. Also shrugging off the downsides from the previous trade war. Both export and import growth came in expansionary, indicating healthy domestic and external demand.
  - Exports grew 18.1% y/y in December, similar to the 21.1% increase a month ago. The result is indicative of China's ability to keep its factories churning more during the pandemic, compared to lockdowns in other areas (US, Europe). Exports to US were up by 34.5% y/y, ASEAN 18.4%, UK 38.1%.
  - Imports went up by 6.5% y/y in December, compared to the 4.5% prior, signalling improvements in China's demand in consumer and intermediate goods. Imports from the US increased 47.7% y/y, ASEAN 21.7%, Australia -8.9%.

Forex

MYR (Neutral to Bullish)

- USD/MYR pulled back for the second session to 4.0365 (-0.2%) on Thursday. The trend is likely to extend to today's session as the greenback retreated overnight. We turn neutral to bearish on the pair but caution that markets might hold back ahead of the weekend while digesting news of Biden's fiscal proposal.
- **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 was down by 0.13% on Thursday, closing at 90.24. US stimulus bill announcements helped weaken the dollar but markets are somewhat nervous of some pushback regarding whether that can be implemented. We keep the neutral to bullish view for the dollar over the coming week as event risks in the US play out.
- **Factors supporting**: Higher yields, Democrat sweep reducing reliance on monetary policy, risk aversion, Global tensions
- **Factors against**: Ultra-easy Fed policy, economic recovery, vaccination

EUR (Neutral-to-Bearish)

- EUR/USD closed flat on Thursday, staying at 1.2155 at close. We think that the week ahead should continue to see near-term consolidation before more movements. Support at 1.2068.
- **Factors supporting**: Improvement in Eurozone fundamentals
- **Factors against**: Risk aversion, Covid-19 outbreak, ECB introducing further monetary measures

GBP (Neutral-to-Bearish)

- GBP/USD headed up on Thursday to a high of 1.3710, after hitting a low of 1.3452 on 11 January. A breach of the 1.37 big figure now turns attention towards a range of 1.3600-1.3800. We still see some consolidation from event risks and market nervousness next week.
- **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 was slightly down on Thursday (almost 0.1%), but saw a sharp and late shift down after US stimulus announcement. We still see some range movements around the 103.53-104.40 range for now, biased on the upside.
- **Factors supporting**: BOJ policy, risk aversion
- **Factors against**: Weak fundamentals, Covid-19 outbreaks in Japan

AUD (Neutral-to-Bearish)

- AUD/USD reached a high of 0.7805 on currency strength but somewhat pulled back late-day towards a close of 0.7778. We stay slightly bearish and expect some pullback towards 0.76 support, if dollar strength comes in. Resistance at 0.7810.
- **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 was initially in a bid tone on Thursday, but came down to close around the 1.3240 range as dollar softened. We are neutral, anticipating a range of 1.3215-1.3320 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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