# Global Markets Research

# Daily Market Highlights

## Key Takeaways

- **US and European equities managed to shrug off record contraction in UK 4Q GDP, recovering from initial losses to close out Friday higher, spurred by optimism surrounding US stimulus bill.** Stocks traded mixed earlier in Asian markets ahead of the Lunar New Year holiday. Treasury yields rose up to 6bps led by the longer tenor. 10Y UST yields edged 4bps higher to 1.19%. **US markets will be closed for President Day holiday today. This week's focus is on FOMC minutes, US retail sales and housing starts data. A number of Fed speeches are also in the pipeline.**

- **The greenback continued its mixed performances** against the majors, advancing against the CHF, JPY, and EUR but weakening against the SEK, GBP and NOK. This led the dollar index to edge marginally higher by 0.07% to 90.48. In the commodity markets, **gold futures ended slightly lower** at $1823/ oz while **global crude oil prices headed to its highest in a year.** Brent crude pushed higher to $62.43/barrel, while WTI rose to $59.47/barrel.

- **The latest slew of 4Q GDP readings showed smaller contraction in economic activities in the UK, Japan and Singapore but the decline was slightly bigger for Malaysia** in view of the reintroduction of movement restrictions since mid-October. This suggests overall economic health will be dependent on success in containing the virus spread, and hence the road to recovery ahead will remain bumpy with vaccination potentially offering some upside. **Consumer confidence also retreated to a 6-month low in the US as restrictive movements dampened job market outlook.**

- DXY ended the Friday trading session slightly higher, closing at 90.48. The greenback continued its mixed performances against the majors, advancing against the CHF, JPY, and EUR but weakening against the SEK, GBP and NOK. We maintain our **neutral-to-bearish** stance on the USD for the rest of the week, potentially breaking the 90 handle towards 89.95.

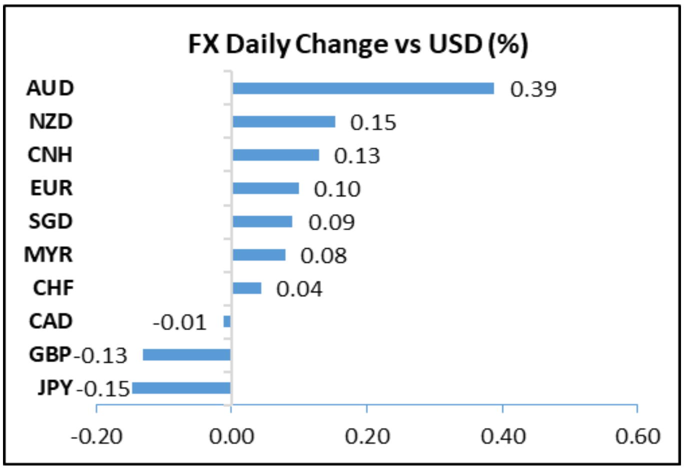
- USD/MYR retreated by 0.07% to 4.0415. MYR strengthened for a fourth consecutive day against a retreating greenback, trended from a high of 4.0780 to a low of 4.0360 the last five trading days before closing at 4.0415 as at Thursday close. Expectations for a bearish USD this week should be positive for further **MYR gains**, potentially leading the pair back to 4.02 handle.

## Market Snapshots

| | Last Price | DoD % | YTD % |
|---|---|---|---|
| **Dow Jones Ind.** | 31,458.40 | 0.09 | 2.78 |
| **S&P 500** | 3,934.83 | 0.47 | 4.76 |
| **FTSE 100** | 6,589.79 | 0.94 | 2.00 |
| **Hang Seng** | 30,173.57 | 0.45 | 10.81 |
| **KLCI** | 1,599.42 | 0.16 | -1.71 |
| **STI** | 2,925.48 | -0.01 | 2.87 |
| **Dollar Index** | 90.48 | 0.07 | 0.60 |
| **WTI oil ($/bbl)** | 59.47 | 2.11 | 22.57 |
| **Brent oil ($/bbl)** | 62.43 | 2.11 | 22.51 |
| **Gold (S/oz)** | 1,823.20 | -0.20 | -3.95 |
| **CPO (RM/tonne)** | 3,890.00 | -0.70 | 2.69 |

*Source: Bloomberg*

*Note: HIS, KLCI & STI closing as at 11-Feb*




*Source: Bloomberg*

| Overnight Economic Data | | | |
|---|---|---|---|
| US | ↓ | UK | → |
| Japan | ↑ | Singapore | ↑ |
| Malaysia | ↓ | | |

### Up Next

| | | Prior |
|---|---|---|
| 15/02 | EU industrial production MOM (Dec) | 2.5% |
| | JP industrial production (Dec F) | -1.6% |
| 16/02 | US Empire manufacturing (Feb) | 3.5 |
| | EU GDP SA QOQ (4Q P) | -0.7% |
| | EU ZEW expectations (Feb) | 58.3 |
| | JP tertiary industry index (Dec) | -0.7% |
| | Singapore 2021 Budget | |
| | RBA minutes | |

*Source: Bloomberg*

## Macroeconomics

- ***Malaysia GDP saw slightly bigger contraction in 4Q:***
  - Real GDP fell 3.4% y/y in 4Q, a slightly bigger contraction when compared to 3Q20's -2.7% y/y, as the reinstatement of Conditional Movement Control Order (CMCO) in selected states since mid-October, as well as commodity supply disruption, curtailed economic activities. This brings full year GDP to -5.6%, better than our expectations of -6.0%.
  - The weaker performance was evident in both the domestic and external front, with all segments seeing extended declines save for the manufacturing sector (supply side) and government spending (demand side). On a seasonally adjusted basis, real GDP contracted again after the hefty rebound in 3Q (-0.3% vs +18.2%).
  - Moving into 2021, uncertainties surrounding recovery in the global economy is expected to have some chain effect on prospects of the Malaysian economy. Recognizing less severe economic fallout compared to the MCO in last March/ April, and taking into account the less severe than expected fall in 2020 GDP, we have tweaked our full year 2021 GDP growth forecast from 5.4% to 5.0%. Accommodative monetary policy and expansionary fiscal policy notably the earlier stimulus packages will continue to underpin growth in 2021.

- ***US consumer sentiments staged a surprised decline***: University of Michigan consumer sentiments index unexpectedly pulled back to a 6-month low in February (76.2 vs January 79.0 and consensus 80.9). A drop in personal finances outlook and future expectations amid labour market weakness and restricted activities dampened consumer confidence.

- ***Modest UK GDP and industrial production***
  - UK 4Q GDP expanded 1.0% q/q (3Q: +16.0% q/q), better than consensus estimate but remained very modest. This brought about a smaller y/y contraction of 7.8% (3Q: -8.6%). Growth was underpinned by government spending and investment, helping offset weaknesses in private consumption and net exports. For the whole of 2020, the UK economy contracted by 9.9% y/y.
  - Industrial production maintained a modest increase of 0.2% m/m in December (Nov: +0.3% m/m revised), as a result of slower growth in manufacturing production (+0.3% vs +1.1% m/m).
  - Trade deficit narrowed marginally to £6.2bn in December (Nov: £6.6bn), amid smaller deficit in goods trade as exports rose 1.5% m/m while imports fell 0.2% m/m.
  - Rightmove house prices rebounded to increase 0.5% m/m in February (Jan: -0.9% m/m) but compared to Feb-20, house prices saw a smaller increase of 3.0% y/y (Jan: +3.3% y/y)

- ***Slower growth in Japan 4Q GDP:*** Annualized GDP moderated less than expected to 12.7% q/q/sa in 4Q (3Q: +22.7% revised) amid slower gain in private consumption and net exports while business spending rebounded more than expected. The Japanese economy fell 1.2% y/y in 4Q20 and 4.8% y/y for the whole of last year. Structural issues will continue to impede growth although low base effect is expected to see growth bouncing to 2.0% in 2021.

## Forex

### MYR (Neutral-to-Bullish)

- USD/MYR retreated by 0.07% to 4.0415. MYR strengthened for a fourth consecutive day against a retreating greenback, trended from a high of 4.0780 to a low of 4.0360 the last five trading days before closing at 4.0415 as at Thursday close. Expectations for a bearish USD this week should be positive for further **MYR gains**, potentially leading the pair back to 4.02 handle.

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

- DXY ended the Friday trading session slightly higher, closing at 90.48. The greenback continued its mixed performances against the majors, advancing against the CHF, JPY, and EUR but weakening against the SEK, GBP and NOK. We maintain our **neutral-to-bearish** stance on the USD for the rest of the week, potentially breaking the 90 handle towards 89.95.

### EUR (Neutral-to-Bullish)

- EUR/USD fell as low as 1.2088 on Friday before recovering from its losses to close the day in the 1.2120 region. The rally of the pair was underpinned by Wall Street as US indexes soared to record highs. We stay **neutral-to-bullish** on the week ahead on the EUR as vaccine programs rollout across various parts of Europe. Focus ahead is on EU publishing December industrial Production and Trade balance. Watch 1.22 big figure as further move to 1.2350 resistance.

### GBP (Neutral-to-Bullish)

- GBP/USD closed Friday at 1.3851, slightly lower from a multi-year high of 1.3865. The pound benefitted from the broad dollar weakness somewhat offsetting pressure from 4Q GDP numbers. Positive sentiments may arise from the easing of some lockdown measures and the high volume of its population receiving the vaccine. Further gains are likely should the pair accelerate through 1.3865, the immediate resistance level.

### JPY (Neutral-to-Bullish)

- USD/JPY closed around the 105.00 on Friday. The pair is still hovering at the 105 big figure following the release of Japanese 4Q GDP data. We stay **neutral-to-bullish** even as positive data failed to cheer strong fundamental figures. The preliminary readings suggest that the market is still lagging behind. A range of 102-105.15 is observed for now.

### AUD (Neutral-to-Bullish)

- AUD/USD closed the day around the 0.7750 region as the pair rose for its second consecutive day despite the fresh coronavirus-led lockdown in Victoria. The pair benefited from the broad dollar weakness as well as more upbeat equities and bond yields. We maintain our **neutral-to-bullish** stance on the pair and observe a range of 0.77-0.80 for now

### SGD (Neutral-to-Bullish)

- USD/SGD rose as high as 1.3278 before closing the day at 1.3240 region. Given bearish USD outlook and positive surprises in 4Q GDP this morning, we now see pair testing a support of 1.3210 before looking for further moves downwards. Watch 1.3450 as resistance. Positive sentiment may arise from Singapore moving onto the next phase of the vaccination drive.

- ***Smaller contraction in Singapore 4Q GDP***
  - Real GDP fell 2.4% y/y in 4Q, about half the contraction of 5.6% y/y seen in 3Q, and smaller than the initial estimate of -3.8%. For the whole of 2020, the Singapore economy contracted 5.4% y/y.
  - The numbers reflect the improved activity levels seen in December, as Singapore moved to Phase 3 of reopening on 28th of the month. Services industries saw a significant upward revision to -4.7% y/y from -6.8% initial estimates. Manufacturing and construction both saw modest upward revisions as well.
  - The outlook ahead stays uneven, although we are optimistic overall. The MTI sees 2021 growth forecast at 4-6%. We think that that is due to some concerns on major economies that had enforced more rounds of lockdowns at the start of 2021. Barring another round of downside risks materialising (e.g. another circuit breaker), we see some possibilities of Singapore even outperforming our 2021 GDP forecast of 6.3%.

**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
Email: HLMarkets@hlbb.hongleong.com.my