Global Markets Research

Daily Market Highlights

Key Takeaways

- **US stocks fell on Friday**, closing out the week in the negatives after President-elect Biden announced his $1.9trillion stimulus plan and big US banks released 4Q earnings. Citigroup, JP Morgan and Wells Fargo reported better-than-expected results. Friday's losses were **in part influenced by the fall in US retail sales that underlined the pandemic's impact** of the broader services industry. The main benchmarks lost 0.6-0.8% d/d on Friday while the weekly declines ranged 0.9-1.5%. Stocks had risen in the first two weeks of January.

- **Bond yields fell 0.6 to 4.6bps as investors exited equities, in favour of treasuries**. The 2s10s (spread between 2y and 10y treasury note yields) flattened by 4bps, offsetting prior steepening. **Gold futures pulled back further** by 1.2% to $1829.9/oz, ending the week moderately lower amid indecisive trend. This came alongside the surge in the dollar, boosted by risk-off sentiment. DXY jumped 0.8% to 90.77. **Crude oil prices tanked 2.3% on Friday**; Brent crude settled at 55.10/barrel and WTI at $52.36/barrel. **Focus turns to Biden's inauguration this week and several central banks' meetings (BOJ, ECB and BNM).**

- **US data were mixed** on Friday as retail sales fell for the second month while the manufacturing production continued to post growth in December. Consumer sentiment was slightly lower in early January. PPI inflation meanwhile was boosted by higher energy prices. Across the Atlantic, **UK recorded fall in output** in November as the services industry was hit by lockdowns. Manufacturing and construction posted gains in output.

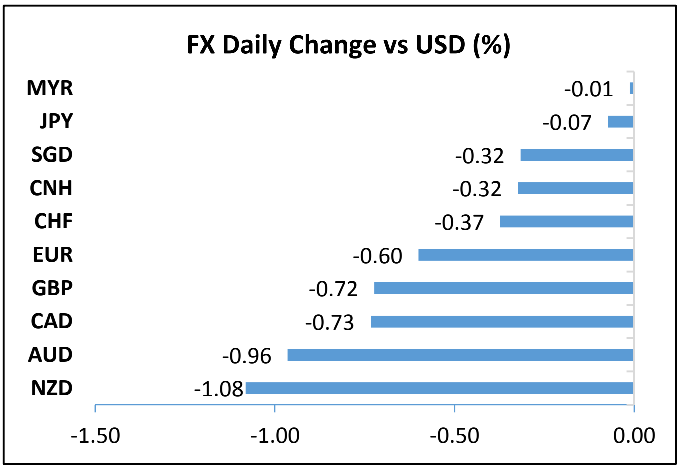
- DXY climbed on Friday as it closed the day near the 90.78 region. The USD broadly retreated as markets digested Biden's fiscal stimulus proposal and Fed Chair Powell's pushback against bond tapering expectations. The US starts off this week with a bank holiday, celebrating the Martin Luther King Jr day. Expect **USD to stay neutral to bullish** this week.

- USD/MYR closed on a flat note on Friday at 4.0370. For the week, USD/MYR rose 0.2% w/w, its second straight weekly gain. Additional stimulus aids as proposed by Biden coupled with the Fed's pledge for extended accommodation are expected to keep USD supported, hence likely keeping **USD/MYR slightly bullish** in range of 4.03-4.08 in the week ahead. BNM's OPR decision is due Wednesday and we are expecting the central bank to stay put.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	30,814.26	-0.57	0.68
S&P 500	3,768.25	-0.72	0.32
FTSE 100	6,735.71	-0.97	4.26
Hang Seng	28,573.86	0.27	4.93
KLCI	1,627.01	-0.53	-0.01
STI	3,004.87	0.16	5.66
Dollar Index	90.77	0.59	0.93
WTI oil ($/bbl)	52.36	-2.26	7.91
Brent oil ($/bbl)	55.10	-2.34	6.37
Gold (S/oz)	1,829.90	-1.16	-3.44
CPO (RM/tonne)	3,840.00	-2.08	1.37

Source: Bloomberg



Source: Bloomberg

Up Next

18/01	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%
19/01	NZ Card Spending Retail MoM (Dec)	0.1%
	EU ZEW Survey Expectations (Jan)	54.4

Source: Bloomberg

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Macroeconomics

- ***US retail sector hit by surging pandemic; manufacturing stayed resilient:***
  - Retail sales fell for the second month by 0.7% m/m in December, missing analysts' estimation of a flat reading. Notably, the decline in November was revised downward from -1.1% to -1.4% m/m. Retail sales for control group, a gauge of core retail sales fell 1.9% m/m (Nov: -1.1%). This reflects the impact of rising infections (since fall) and some states' restrictions on the retail sector.
  - Industrial production growth beat estimation at 1.6% m/m in December, following the 0.5% gain in November, marking its third consecutive month of gains. This was driven by the jump in utilities output (+6.2%) as the weather turned colder in winter. The manufacturing sector also reported 0.9% m/m growth, its eighth straight gains since May, highlighting the fact that factories were less affected by the pandemic when compared to the services sector. However, overall industrial production was still 3.3% below its pre-pandemic levels.
  - The New York Fed Empire Manufacturing Index slipped to 3.5 in January (Dec: 4.9), suggesting some easing in overall manufacturing activity in New York state as the year begins.
  - The University of Michigan Consumer Sentiment Index was slightly lower at 79.2 in early January, compared to 80.7 in December as "vaccines and a partisan shift in expectations due to the anticipated impact of Biden's economic policies" offset the negative sentiments arising from "horrendous rise in covid-19 deaths, the (Capitol Hill) insurrection, and the impeachment of Trump".
  - Producer price index for final demand rose 0.3% m/m in December (Nov: +0.1%), less than estimated growth of 0.4%. The acceleration was mainly driven by higher energy prices, in line with CPI data.

- ***UK monthly GDP fell in November:***
  - UK's nominal GDP fell 2.6% m/m in November (Dec: +0.6% revised), registering its first monthly decline since April 2020 as government-ordered lockdown restricted overall business activity. Unsurprisingly, the services industry took a particularly big hit, recording a 3.4% m/m loss in output.
  - Industrial output meanwhile fell slightly by 0.1% m/m as manufacturing output growth (+0.7% m/m) was offset by falls in mining and quarrying. The construction output surged 1.9% m/m, driven by higher repair and maintenance works.
  - In a separate note, the goods trade deficit widened to £16.0b in November, from £13.3b thanks to outsized gains in imports (+11.9%) that offset exports growth (+7.5%) ahead of Brexit.

- ***Stronger than expected growth in Singapore NODX:*** Singapore's non-oil domestic exports' performance was stronger than expected in December, growing 6.8% y/y compared to the 5.0% decrease a month ago. This was helped by electronics, expanding 13.7% y/y in December. NODX was supported by US and Asia, even as China and EU dragged.

Forex

MYR (Neutral to Bearish)

- USD/MYR closed on a flat note on Friday at 4.0370. For the week, USD/MYR rose 0.2% w/w, its second straight weekly gain. Additional stimulus aids as proposed by Biden coupled with the Fed's pledge for extended accommodation are expected to keep USD supported, hence likely keeping USD/MYR slightly bullish in range of 4.03-4.08 in the week ahead. BNM's OPR decision is due Wednesday and we are expecting the central bank to stay put.
- **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 climbed on Friday as it closed the day near the 90.78 region. The USD broadly retreated as markets digested Biden's fiscal stimulus proposal and Fed Chair Powell's pushback against bond tapering expectations. The US starts off this week with a bank holiday, celebrating the Martin Luther King Jr day.
- **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 was down by 0.6%, to 1.2082 on Friday close. The pair closed with substantial gains against most major rivals. Risk sentiments is present as news indicating the distribution of the Pfizer vaccine will be delayed in the EU. Support remains 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 had a choppy day of trading on Friday, as the pair trimmed most of its weekly gains to end the session at 1.3590. While the pair enjoyed some temporary demand over better than expected GDP figures, investors are still cautious as the number of coronavirus cases continue to rise and travel corridors begin to shut. 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 remained lifeless on Friday, closing a third consecutive day of having little unchanged around the 103.80 zone. Risk sentiment may stem from reports that the country has reported a new coronavirus strain on Saturday, arriving from UK and South Africa. We view a range of 103.60-104.00.
- **Factors supporting**: BOJ policy, risk aversion
- **Factors against**: Weak fundamentals, Covid-19 outbreaks in Japan

AUD (Neutral-to-Bearish)

- AUD/USD traded mostly downwards on Friday, ending the week with losses just above the 0.7700 level. The pair was weighed down by the negative mood in the market and followed by the sharp losses in equities and commodities. The focus will be on Chinese Q4 GDP and November retail sales. Support is currently at 0.7420 and 0.7810 remains the next big figure to overcome.
- **Factors supporting**: Fundamentals improve from current levels
- **Factors against**: Risk aversion, RBA policy, Australia-China relations

SGD (Neutral)

- USD/SGD closed at a high of 1.3297 as it saw a day of trading mostly upwards on Friday. We view a range of 1.3290-1.3320 for the pair. Resilient fundamentals may insulate the SGD partly against dollar strength, alongside prior underperformance. Support for the pair is at 1.3200.
- **Factors supporting**: Economic recovery, CNH strength
- **Factors against**: Risk aversion, potential deterioration in Singapore fundamentals

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