19 January, 2021

HongLeong Bank

Global Markets Research

Daily Market Highlights

Key Takeaways

- **Global stocks saw mixed performance on Monday in an eventful week packed with central bank meetings and President-elect Joe Biden's inauguration.** Earlier on Monday, stocks rose in Hong Kong, China but fell in Japan, followed by gains in Germany and France. The UK market fell modestly. **US stocks and bond markets were closed for Martin Luther King Jr. Day.** Brent crude slipped further by 0.6% to $54.76/barrel. **On the local front, Prime Minister Muhyiddin Yassin announced a RM15b PERMAI stimulus package, the government's fifth relief aid thus far in a bid to combat Covid-19 related fallout** after imposing the second Movement Control Orders (MCO) in certain red-zone states last week. *(Please refer to separate report for more details)*

- **China's GDP grew 2.3% in 2020, making it one the only major economy to record growth in a pandemic year** when other key economies likely to have contracted (4Q GDP for most countries are not released yet). **In the 4Q, GDP rose 6.5% y/y driven by domestic demand and exports.** Industrial production growth accelerated to 7.3% y/y in December while retail sales picked up 4.6% y/y. Meanwhile in Japan, industrial output fell for the first time in six months in November, although only by a small 0.5% m/m, reflecting some early impact of the new virus wave.

- DXY traded sideways on Monday, as it once again closed the day out flat near the 90.77 region, as markets digested Biden's fiscal stimulus proposal and Fed Chair Powell's pushback against bond tapering expectations. The USD weakened against JPY and was little changed against other majors like EUR, GBP and CHF. The focus on this week is on President-elect Joe Biden's inauguration on the 20th January. Maintain our **neutral to bullish view on USD** for now.

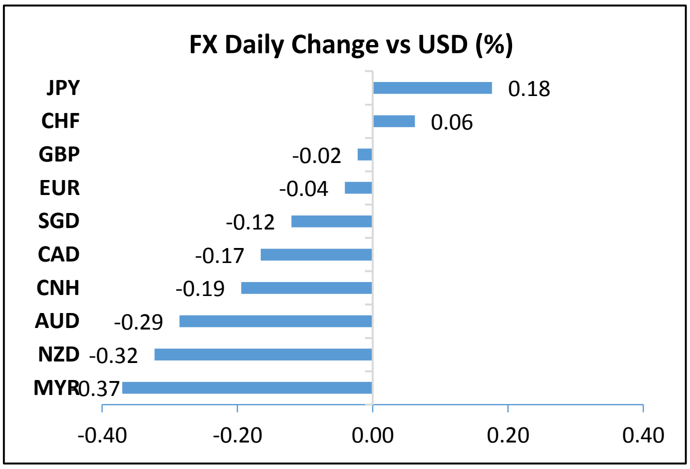
- USD/MYR strengthened by 0.4% to 4.0520 amid a firmer USD sentiment, barely reacting to the PM's stimulus announcement at 4pm. We maintain our **neutral to slightly bullish outlook for USD/MYR** on the back of positive US stimulus sentiment ahead of Joe Biden's inauguration. However, focus now turns to tomorrow's BNM OPR decision, we are expecting the central bank to keep OPR unchanged at 1.75% but did not rule out the possibility that it would adjust its neutral policy tone to incorporate more dovishness in view of renewed economic concerns. Maintain a weekly range of 4.03-4.08 for USD/MYR this week.

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	6,720.65	-0.22	4.03
Hang Seng	28,862.77	1.01	5.99
KLCI	1,609.52	-1.07	-1.09
STI	2,990.40	-0.48	5.15
Dollar Index	90.77	-0.01	0.92
WTI oil ($/bbl)*	52.36	-2.26	7.91
Brent oil ($/bbl)	54.75	-0.64	5.69
Gold (S/oz)*	1,829.90	-1.16	-3.44
CPO (RM/tonne)	3,750.00	-2.37	-1.00

**As at 15 Jan*

Source: Bloomberg



Source: Bloomberg

Up Next

19/01	NZ Card Spending Retail MoM (Dec)	0.1%
	EU ZEW Survey Expectations (Jan)	54.4
20/01	AU Westpac Consumer Conf Index (Jan)	112.0
	UK CPI YoY (Dec)	0.3%
	MA BNM Overnight Policy Rate (20 Jan)	1.75%
	EU CPI YoY (Dec F)	-0.3%
	US MBA Mortgage Applications (42005)	16.7%
	US NAHB Housing Market Index (Jan)	86.0

Source: Bloomberg

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Macroeconomics

- ***China's growth supported by domestic demand and exports:***
  - China's GDP growth improved to 6.5% y/y in 4Q, from 4.9% in 3Q; GDP grew 2.3% in 2020. 4Q's growth was supported by double-digit expansions in export growth in 4Q (e.g. 18.1% y/y in Dec). This figure is the highest since 4Q-2018, in the early stages of the US-China trade war. Pre-pandemic, China's economy was growing around 6%, making the latest result more remarkable.
  - Industrial production growth accelerated to 7.3% y/y in December, from 7.0% in November. This was supported by faster expansions in mining and power supply. However, other sectors appeared to see some moderation (see Figure 1).
  - Retail sales came off slightly to 4.6% y/y in December (5.0% in Nov). This came as urban consumers curbed spending even as rural consumers increased spending more. We note that spending for communication appliances, household electronics, medicine, jewellery, construction materials, beverages and tobacco/alcohol stayed strong, growing more than 10.0% y/y in December.

- ***Japan's industrial output fell for the first time in six months:*** Japan's industrial output fell slightly by 0.5% MOM in November (Dec: +4%), after recording growth for five consecutive months. The retreat in production may reflect early impact of the new Covid-19 wave in early November when the nation started to report above 1000 daily cases. YOY, industrial output was 3.9% lower compared to the same month in the previous year.

Forex

MYR (Neutral to Bearish)

- USD/MYR strengthened by 0.4% to 4.0520 amid a firmer USD sentiment, barely reacting to the PM's stimulus announcement at 4pm. We maintain our neutral to slightly bullish outlook for USD/MYR on the back of positive US stimulus sentiment ahead of Joe Biden's inauguration. However, focus now turns to tomorrow's BNM OPR decision, we are expecting the central bank to keep OPR unchanged at 1.75% but did not rule out the possibility that it would adjust its neutral policy tone to incorporate more dovishness in view of renewed economic concerns. Maintain a weekly range of 4.03-4.08 for USD/MYR this week.
- **Factors supporting**: Economic recovery, less dovish MPC, USD weakness
- **Factors against**: Risk aversion, domestic politics, second lockdown.

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

- DXY traded sideways on Monday, as it once again closed the day out flat near the 90.77 region. The USD had very slight gains as markets digested Biden's fiscal stimulus proposal and Fed Chair Powell's pushback against bond tapering expectations. The focus on this week is on President-elect Joe Biden's inauguration on the 20th January.
- **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 had a choppy day of trading, to close the day at 1.2077. The pair reached a month low of 1.2055 and bounced back modestly to settle in the 1.2070 price zone. Risk aversion 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 fell as low as 1.3527 before rebounding to end the Monday trading session at 1.3587. Negative sentiments are still arising from the weekend news related to more travel restrictions in the UK due to the pandemic. 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 traded as high as 103.92 before suffering losses when the US trading session came online to close the day at 103.69. 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 saw downside during the early session of Monday's trading, dipping as low as 0.7660 before recovering slightly to end the day at 0.7681. 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 had a positive day of trading, trading as high as 1.3334 before suffering a minor late setback to close at 1.3313. We are neutral, anticipating a range of 1.3215-1.3320. Resilient fundamentals may insulate the SGD partly against dollar strength, alongside prior underperformance.
- **Factors supporting**: Economic recovery, CNH strength
- **Factors against**: Risk aversion, potential deterioration in Singapore fundamentals

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