

## Global Markets Research

### Daily Market Highlights

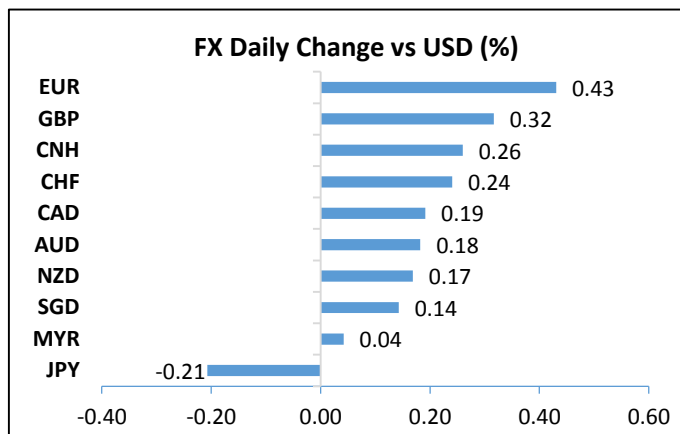
#### Key Takeaways

- US stocks rebounded on Tuesday, boosted by tech and energy shares** as Janet Yellen testified before Senate and Goldman Sachs and Bank of America's 4Q earnings beat expectations. Netflix's subscribers surpassed 200mil, leading its shares to jump in after-hour trading. The Dow Jones picked up 0.4%, S&P500 rose 0.8% and NASDAQ jumped 1.5%. **Treasury yields were little changed** (-0.2 to +0.5bps). The dollar index was 0.3% lower at 90.50 as **the dollar broadly weakened against major currencies saves for the JPY. Gold price gained 0.6%; Brent crude jumped more than 2.0% on stimulus optimism, shrugging off lower demand forecast by IEA.**
- At a Senate confirmation hearing, **Treasury Secretary nominee Janet Yellen (the former Fed Chair) advocated** President-elect Joe Biden's \$1.9trillion **spending plan to provide more relief to Americans. She also dampened hope for a quick mending of US-China relation**, saying that the US is prepared to take on China's "abusive" international trade practises. **She also said the US will not be relying on a weak USD policy.**
- The US' Covid-19 deaths now topped 400,000, the worst toll globally; **Germany extended lockdown to 14 February** and made wearing medical masks (not cotton/cloth masks) mandatory on public transport and in stores. Chancellor Merkel warned of border closure if other European governments failed to cooperate to contain the more contagious Covid strain. **President Trump made a farewell address but still refused to offer a full concession to Biden;** Senate Majority Leader Mitch McConnell said that the recent Capitol Hill mob was provoked by Trump. **Focus now turns to the inauguration of Joe Biden who will be sworn in as the 46<sup>th</sup> president of the United States.**
- The US dollar weakened on Tuesday, with DXY down by 0.3%. This comes after Yellen's comments towards a market-driven approach to the USD, departing from the previous administration's preference for a weaker dollar. The incoming Biden administration's potential fiscal support and coordination with monetary policy has helped to weaken the dollar after the high of 90.95 on 18 January, to a close of 90.50 by end-Tuesday. We watch for some continued downward trend to signal a **departure from our neutral-to-bullish outlook** that we put up last week. Support at 90.20 while resistance is at 90.90.
- USD/MYR was flat (-0.04%) at 4.0505 on Tuesday and is likely to remain so ahead of today's BBNM OPR decision. 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 BNM OPR decision due 3pm. 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.	30,930.52	0.38	1.06
S&P 500	3,798.91	0.81	1.14
FTSE 100	6,712.95	-0.11	3.91
Hang Seng	29,642.28	2.70	8.85
KLCI	1,601.88	-0.47	-1.56
STI	2,995.92	0.18	5.35
Dollar Index	90.50	-0.29	0.62
WTI oil (\$/bbl)	52.98	1.18	9.19
Brent oil (\$/bbl)	55.90	2.10	7.92
Gold (\$/oz)	1,840.20	0.56	-2.92
CPO (RM/tonne)	3,635.00	-2.86	-4.04

Source: Bloomberg



Source: Bloomberg

#### Up Next

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%
21/01	US NAHB Housing Market Index (Jan)	86.0
	JP Exports YoY (Dec)	-4.2%
	AU Employment Change (Dec)	90.0k
	AU Unemployment Rate (Dec)	6.8%
	HK CPI Composite YoY (Dec)	-0.2%
	EU ECB Deposit Facility Rate (21 Jan)	-0.5%
	US Building Permits MoM (Dec)	5.9%
	US Initial Jobless Claims (16 Jan)	--
	US Housing Starts MoM (Dec)	1.2%
	US Philadelphia Fed Business Outlook	11.1
	EU Consumer Confidence (Jan A)	-13.9
JP BOJ Policy Balance Rate (21 Jan)	-0.1%	

Source: Bloomberg

## Macroeconomics

- Germany investors turned more upbeat on outlook:** Germany's ZEW Expectations Index for Eurozone rose to 58.3 in January (Dec: 54.4), its best reading in four months. The same index for Germany also rose to 61.8, from 55.0, reflecting investors' optimism over vaccine distribution in Europe which offers hope to end the pandemic. Daily new cases in Germany and in broader Europe remained high for now and it is likely that many authorities would extend lockdowns.

## Forex

### MYR (Neutral to Bearish)

- USD/MYR was flat (-0.04%) at 4.0505 on Tuesday and is likely to remain so ahead of today's BBNM OPR decision. 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 BNM OPR decision due 3pm. 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)

- The US dollar weakened on Tuesday, with DXY down by 0.3%. This comes after Yellen's comments towards a market-driven approach to the USD, departing from the previous administration's preference for a weaker dollar. The incoming Biden administration's potential fiscal support and coordination with monetary policy has helped to weaken the dollar after the high of 90.95 on 18 January, to a close of 90.50 by end-Tuesday. We watch for some continued downward trend to signal a departure from our neutral-to-bullish outlook that we put up last week. Support at 90.20 while resistance is at 90.90.
- 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 gained from improved risk sentiment, against our cautiousness for the week. Pair was up by 0.4% to close at 1.2129. We see cues for renewed upsides if 1.2150 is breached promptly towards a 1.2150 to 1.2300 range. However, we remain cautious towards a 1.2068 support, if risk aversion returns again from event risks. Focus turns to ECB meeting on 21 January and PMIs the day after.
- Factors supporting:** Improvement in Eurozone fundamentals
- Factors against:** Risk aversion, Covid-19 outbreak, ECB introducing further monetary measures

### GBP (Neutral-to-Bearish)

- GBP/USD rebounded after the low of 1.3520 on 18 January, towards a close of 1.3630 on Tuesday. GBP benefitted from dollar weakness. We stay cautious but watch for further rebounds towards a 1.3704 resistance to signal a change in momentum. Data focus is on retail sales and PMI on 22 January.
- 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 by 0.2% on Tuesday, underperforming G10 peers. This brought a close of 103.90 for the pair, after touching a low of 103.65. JPY may continue to underperform on a mix of weak domestic fundamentals, risk appetite rebound and central bank watch. BOJ announces policy decision on 21 January and markets are anticipating some updates in its economic and financial news. Support and resistance at 103.60 and 104.45 respectively.
- **Factors supporting:** BOJ policy, risk aversion
- **Factors against:** Weak fundamentals, Covid-19 outbreaks in Japan

#### AUD (Neutral-to-Bearish)

- AUD/USD was up by a slight 0.2% on Tuesday, underperforming other G10 rallies. This brought pair above the 0.77 big figure, after a recent low of 0.7659. Data watch is on employment and retail sales figures later the week. AUD may later benefit from recovering commodity price outlooks, and as event risks dissipates. However, pair has looked stretched and we watch for a range of 0.7600-0.7810.
- **Factors supporting:** Fundamentals improve from current levels
- **Factors against:** Risk aversion, RBA policy, Australia-China relations

#### SGD (Neutral)

- USD/SGD slightly came off on Tuesday, down by 0.1%. After the high pf 1.3336 on 18 January, pair is now down to around 1.3280 at the time of writing. Range of 1.3200-1.3360 is still likely to persist as we stay confident of Singapore's fundamentals at the moment. However, Covid-19 community clusters are returning and presents slight risks towards the current economic situation at this stage.
- **Factors supporting:** Economic recovery, CNH strength
- **Factors against:** Risk aversion, potential deterioration in Singapore fundamentals

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