

Global Markets Research

Daily Market Highlights

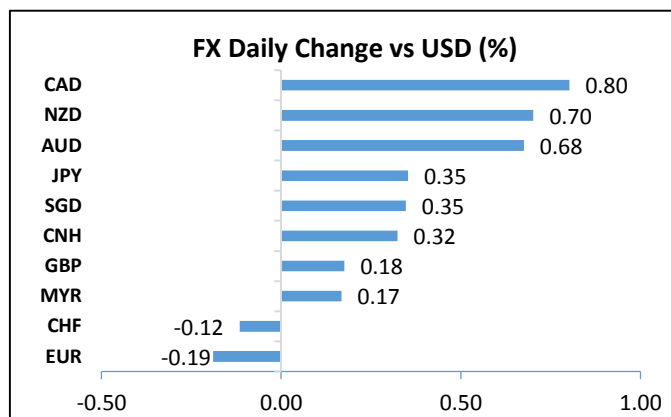
Key Takeaways

- **US stock benchmarks rallied to all-time highs, propelled by the tech sector** after Netflix reported upbeat earnings and subscriber numbers that topped 200m at the end of 2020; optimism also stemmed partly from the inauguration of Joe Biden who was sworn in as the 46th president of the United States. **Markets also anticipated the new Administration to offer massive stimulus relief to Americans amid the raging pandemic.** The Dow Jones rose 0.8% while the broader S&P500 index went up by 1.4%; NASDAQ outperformed again with a nearly 2.0% daily gain. Tech shares and consumer discretionary sectors were the major winners while financials shares were the sole loser of the day.
- President Biden called for unity during the inaugural ceremony and went on to sign his first executive orders that include implementing a national 100-day mask mandate on federal property, revoking the Keystone XL oil pipeline permit; lifting travel ban from several Muslim and African nations as well as re-joining the Paris Agreement and the WHO. **Treasury yields were little changed** (-0.4 to -0.8bps). **Gold prices jumped 1.4%** to \$1866.50/oz; **Brent crude picked up moderately** (+0.3%) to \$56.08/barrel; WTI rose 0.5% to \$53.24/barrel. **Minutes after Biden was sworn in, China banned nearly 30 former officials of the Trump Administration** that include Trump's secretary of state, Mike Pompeo. **Asian stocks are poised to track the gain in US shares overnight; futures are pointing to a strong start in Japan and China.**
- On the data front, US homebuilding sentiment weakened in January; inflation in the Eurozone and the UK remained muted. Japan's exports rose for the first time in two years. Australia added 50k jobs at year end. **Focus now turns to the BOJ and ECB's meetings today.**
- DXY was relatively flat on Wednesday during Inauguration Day, closing at 90.48. The incoming Biden administration's potential fiscal support and coordination with monetary policy prompted some weakness in 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 reaffirm a shift to a more **neutral to bearish USD**. Support at 90.20 while resistance is at 90.90.
- USD/MYR closed 0.2% lower at 4.0435 after BNM maintained OPR unchanged at 1.75%, defying some expectations for a rate cut and a more dovish policy stance. In the short term, we maintain our **neutral to slightly bullish outlook for USD/MYR** on the back of positive US stimulus as the newly sworn in President Biden alongside Democrats-controlled Congress is expected to deliver a huge stimulus package to Americans to prop up the economy. We maintain a weekly range of 4.03-4.08 for USD/MYR this week.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	31,188.38	0.83	1.90
S&P 500	3,851.85	1.39	2.55
FTSE 100	6,740.39	0.41	4.33
Hang Seng	29,962.47	1.08	10.03
KLCI	1,601.54	-0.02	-1.58
STI	2,998.77	0.10	5.45
Dollar Index	90.48	-0.03	0.60
WTI oil (\$/bbl)	53.24	0.49	9.73
Brent oil (\$/bbl)	56.08	0.32	8.26
Gold (\$/oz)	1,866.50	1.43	-1.33
CPO (RM/tonne)	3,600.00	-0.07	-4.96

Source: Bloomberg



Source: Bloomberg

Up Next

Date	Event	Change
21/01	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%
22/01	Flash Manufacturing PMIs for Japan, EU,	
	NZ BusinessNZ Manufacturing PMI (Dec)	55.3
	NZ CPI YoY (4Q)	1.4%
	JP Natl CPI Ex Fresh Food YoY (Dec)	-0.9%
	AU Retail Sales MoM (Dec P)	7.1%
	MA CPI YoY (Dec)	-1.7%
	UK GfK Consumer Confidence (Jan)	-26.0
	US Existing Home Sales MoM (Dec)	-2.5%

Source: Bloomberg

Macroeconomics

- **BNM maintained neutral stance, kept OPR unchanged:** BNM maintained the Overnight Policy Rate (OPR) at a record low of 1.75% for a third consecutive meeting at its first policy meet for 2021 yesterday. This was a close call with a quite evenly split market view between a pause and a cut. Overall policy tone was also not as dovish as feared, offering no hints of a near term cut. In a separate statement, BNM also announced the extension of flexibility for banking institutions to use MGS and GII to meet the SRR compliance for another 19 months to 31 December 2022. We maintain our house view that BNM would keep OPR unchanged at 1.75% this year, barring any escalation in downside growth risks especially if containment measures prove futile. The MPC statement is overall neutral and reiterated that the stance of monetary policy is “appropriate and accommodative”.
- **US homebuilding sentiment weakened to four-month low:** The NAHB Housing Market Index, a key gauge of US homebuilders’ sentiment slipped to a four-month low of 83 in January, from 86 prior. Developers’ concerns over housing demand may have stemmed from higher building materials costs as well as rising home prices and tight inventory.
- **Eurozone CPI inflation stayed muted:** The Eurozone’s HICP inflation rebounded by 0.3% m/m in December, from the -0.3% m/m prior. The annual inflation rate remained at -0.3% y/y for the fourth consecutive month, reflecting muted inflation in the euro area. Core inflation was also steady at 0.2% y/y for four month straight. Low inflation, a sign of weak spending is among the reasons why the ECB maintains a dovish monetary policy amid a pandemic.
- **UK CPI inflation quickened in December:** UK CPI rose 0.3% m/m in December (Nov: -0.1%), translating to a yearly gain of 0.6% y/y (Nov: +0.3%). The annual reading was above consensus forecast of 0.5% y/y. Core CPI rate also quickened to 1.4% y/y. The acceleration of inflation reflects higher consumer spending in between lockdown periods but remained below the BOE’s 2.0% target.
- **Japan exports rose for the first time in 2 years:** Japan exports rose 2.0% y/y in December (Nov: -4.2%), its first growth in two years since late 2018, boosted by demand from China. This helped smooth some concerns over the weak economic recovery in Japan as the country faced its worst Covid wave. Shipments to the US and Europe meanwhile fell on yearly basis, underscoring weakness that stemmed from the pandemic. Imports fell 11.6% y/y decline (Nov: -11.1%).
- **Australia’s unemployment rate fell in December:** Australia added 50k jobs in December (Nov: +90k), as both part-time and full-time employments rose in the last month of 2020, highlighting the economy’s ongoing job recovery following the hard lockdown imposed in the state of Victoria. The unemployment rate also fell to 6.6%, from 6.8% prior; while the participation rate went up (66.2% vs 66.1%) that indicates the return of more workers to the job market.

Forex

MYR (Neutral to Slightly Bearish)

- USD/MYR closed 0.2% lower at 4.0435 after BNM maintained OPR unchanged at 1.75%, defying some expectations for a rate cut and a more dovish policy stance. In the short term, we maintain our **neutral to slightly bullish outlook for USD/MYR** on the back of positive US stimulus as the newly sworn in President Biden alongside Democrats-controlled Congress is expected to deliver a huge stimulus package to Americans to prop up the economy. We 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-Bearish Outlook over 1 Week Horizon)

- DXY was relatively flat on Wednesday during Inauguration Day, closing at 90.48. The incoming Biden administration’s potential fiscal support and coordination with monetary policy prompted some weakness in 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 reaffirm a shift towards a neutral to bearish USD outlook. 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)

- EUR/USD was down by 0.19% to a close of 1.2106. We turn neutral for now. There may be 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. 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-Bullish)

- GBP/USD rebounded after the low of 1.3520 on 18 January, towards a close of 1.3654 on Wednesday close. We turn towards a slightly constructive view, watching 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)

- USD/JPY was slightly down by 0.35% on Wednesday, underperforming G10 peers. This brought a close of 103.54 for the pair, after touching a low of 103.45. JPY may underperform on a mix of weak domestic fundamentals, risk appetite rebound and central bank watch. BOJ announces policy decision today and markets are anticipating some updates in its economic and financial news. Support and resistance at 103.00 and 104.45 respectively.
- **Factors supporting:** BOJ policy, risk aversion
- **Factors against:** Weak fundamentals, Covid-19 outbreaks in Japan

AUD (Neutral-to-Bullish)

- AUD/USD was up again, by 0.68% on Wednesday. This brought pair to a high of 0.7761 and close of 0.7747, after a recent low of 0.7659. Data watch is on employment and retail sales figures later the week. We turn constructive on AUD. 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 moved downwards by 0.35% on Wednesday, reaching a low of 1.3246 and a close 2 pips higher. 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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