

Global Markets Research

Daily Market Highlights

22-Dec: Stock, oil prices rebounded

Dow Jones advanced 560 points as global stocks rallied

Return of risk sentiment weighed on treasuries, safe haven currencies

Crude oil benchmarks bounced back after recent selloff

- US stocks rebounded overnight following a recent selloff, taking cue from the earlier gains in the European and Asian markets. The rally in global equities came despite countries around the world tightened Covid restrictions to curb the Omicron transmission ahead of the Christmas holiday.
- The Dow Jones gained 560pts or 1.6% while the S&P 500 advanced 1.8%, driven by the sharp increase in the energy, tech, consumer discretionary and financials stocks. Tech-heavy NASDAQ index outperformed with a 2.4% gain. US investors also cheered news that President Biden may still be able to reach a deal with centrist Democrat Senator Joe Manchin to pass his \$2 trillion spending and tax bill.
- Treasuries slipped as equities rose, leaving yields higher across the board. The yield on the benchmark 10Y UST inched up (-3.9bps) to 1.46%. Meanwhile, the auction of \$20b 20Y government bonds garnered strong demand with a bid-to-cover ratio of 2.59 (vs 2.34 prior).
- On the FX front, safe haven currencies weakened amid a return of global risk sentiment. The USD fell alongside the JPY and CHF against nearly all G10 currencies; Commodity currencies staged a solid rebound as oil prices rallied.
- USD/MYR weakened by 0.4% to 4.2090 on Tuesday; the broadly weaker USD amid the improvement of risk sentiment is likely to support the local unit today, in line with our expected weekly range of 4.18-4.23. Malaysia will release November CPI on 24-December, where we are expecting an elevated reading in the 3.0% handle before tapering off in 1Q of next year.
- Gold futures dipped for the second consecutive session, trading 0.3% lower at \$1787.9/oz. Oil prices were boosted considerably amid a rally in risk assets. Brent crude jumped 3.4% to \$73.98/barrel and WTI surged 4.2% to \$71.12/barrel.

RBA laid out potential bond tapering path:

- The latest RBA meeting minutes showed that Australia's central bank officials discussed the possible options for its bond buying program as major central banks began to pull back its pandemic stimulus, in view of solid economic recovery.
- "The first option was to reduce the pace of purchases from mid-February with an expectation of a likely end point in May 2022. The second option was to reduce the pace of purchases and review it again in May 2022. The third option was to cease purchases altogether in mid-February."
- The RBA had, on 7 December, maintained its cash rate unchanged at 0.1% and said it would continue to purchase government securities at a weekly pace of AUD4b until at least mid-February next year.
- It had said that the decision to taper QE would depend on three factors i.e., "progress towards the Board's goals for employment and inflation, the actions of other central banks and the functioning of the Australian bond market".

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	35,492.70	1.60
S&P 500	4,649.23	1.78
NASDAQ	15,341.09	2.40
Stoxx 600	473.99	1.42
FTSE 100	7,297.41	1.38
Nikkei 225	28,517.59	2.08
Hang Seng	22,971.33	1.00
Straits Times	3,085.08	0.39
KLCI 30	1,492.59	-0.09
FX		
Dollar Index	96.49	-0.06
EUR/USD	1.1285	0.05
GBP/USD	1.3262	0.42
USD/JPY	114.10	0.43
AUD/USD	0.7155	0.60
USD/CNH	6.3762	-0.10
USD/MYR	4.2090	-0.41
USD/SGD	1.3642	-0.19
Commodities		
WTI (\$/bbl)	71.12	4.24
Brent (\$/bbl)	73.98	3.44
Gold (\$/oz)	1,787.90	-0.32

Source: Bloomberg, HLBB Global Markets Research

Eurozone consumer confidence turned more negative:

- The preliminary reading of the European Commission consumer confidence index slipped to -8.3 in December, from -6.8 previously. The index has now fallen for the third consecutive month since October, indicating that higher inflation as well as the recent spread of Omicron variant are weighing on European consumer sentiment ahead of the holidays.

Hong Kong CPI inflation ticked up to 1.8%:

- Hong Kong CPI inflation accelerated slightly to 1.8% y/y in November, from 1.7% in October, matching the consensus estimate. The larger increase in CPI was driven by the lowering of rates concession ceiling from HKD1,500 to HKD1,000 per quarter for rateable tenements, starting from October. Removing the effect of government subsidies, the core CPI rose 1.2% y/y (Oct: +1.1%), reflecting steeper increase in prices of clothing & footwear, miscellaneous services as well as steady gain in food prices.

House View and Forecasts

FX	This Week	4Q-21	1Q-22	2Q-22	3Q-22
DXY	95-97	94.50	95.00	95.50	96.50
EUR/USD	1.12-1.14	1.15	1.14	1.14	1.13
GBP/USD	1.32-1.34	1.35	1.35	1.34	1.33
AUD/USD	0.70- 0.73	0.72	0.71	0.71	0.70
USD/JPY	113-115	112	113	114	115
USD/MYR	4.18-4.23	4.15	4.15	4.15	4.15
USD/SGD	1.35-1.37	1.35	1.34	1.33	1.34

Policy Rate %	Current	4Q-21	1Q-22	2Q-22	3Q-22
Fed	0-0.25%	0-0.25	0-0.25	0.25-0.50	0.50-0.75
ECB	-0.50	-0.50	-0.50	-0.50	-0.50
BOE	0.25	0.25	0.50	0.50	0.50
RBA	0.10	0.10	0.10	0.10	0.10
BOJ	-0.10	-0.10	-0.10	-0.10	-0.10
BNM	1.75	1.75	1.75	1.75	1.75

Source: HLBB Global Markets Research

Up Next

Date	Events	Prior
22/12	AU Westpac Leading Index MoM (Nov)	0.16%
	MA Foreign Reserves (15 Dec)	\$116.7b
	UK GDP QoQ (3Q F)	1.3%
	US MBA Mortgage Applications (17 Dec)	-4.0%
	US Chicago Fed Nat Activity Index (Nov)	0.76
	US GDP Annualized QoQ (3Q T)	2.1%
	US Conf. Board Consumer Confidence (Dec)	109.5
	US Existing Home Sales MoM (Nov)	0.8%
23/12	SG CPI YoY (Nov)	3.2%
	JP Machine Tool Orders YoY (Nov F)	64.0%
	US Personal Income (Nov)	0.5%
	US Initial Jobless Claims (18 Dec)	206k
	US Personal Spending (Nov)	1.3%
	US PCE Core Deflator YoY (Nov)	4.1%
	US Durable Goods Orders (Nov P)	-0.4%
	US U. of Mich. Sentiment (Dec F)	70.4
	US New Home Sales MoM (Nov)	0.4%

Source: Bloomberg

Hong Leong Bank Berhad

Fixed Income & Economic Research,
Global Markets
Level 8, Hong Leong Tower
6, Jalan Damansara
Bukit Damansara
50490 Kuala Lumpur
Tel: 603-2081 1221
Fax: 603-2081 8936

HLMarkets@hlbb.hongleong.com.my

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