23 December 2021

Global Markets Research
Daily Market Highlights

23-Dec: Extended rally in risk assets

US stock indexes climbed for second day; oil prices surged
Dollar dipped across the board; commodity currencies rose
US reported positive existing home sales, consumer confidence

- US stocks closed higher overnight, extending the gain from Tuesday as investors cheered the generally positive US economic data and studies that indicate less severe symptoms and lower hospitalisation chances for those affected by the Covid-19 Omicron variant.

- Apart from that, the US FDA has approved the use of a Pfizer Covid pill, the first oral antiviral drug that was seen as a new tool to combat the virus. The US government also plans to distribute 500million Covid self-testing kit to households, setting up new testing sites and placing 1,000 military medical personnel in US hospitals.

- The Dow Jones added 0.7%; the S&P 500 rose 1.0% and NASDAQ picked up 1.2%. The rally was broad-based across all the S&P 500's eleven sectors, led by consumer discretionary, infotech and healthcare.

- Treasury traded on a flat note. The yield on 10Y UST edged lower by 1bp to 1.45%. The USD continued to weaken against all G10 currencies, except the JPY as risk-on sentiment dominated the market. The dollar index shed 0.4% to 96.08. Commodity currencies remained the top performers in the session.

- USD/MYR rebounded to 4.2130 (+0.1%) on Wednesday after Tuesday's losses. Extended weakness of the dollar is expected to support the local unit, but cautious market sentiment in view of potentially tighter restrictions may limit the pair's movement.

- In the commodity space, gold futures rebounded by 0.8% to $1801.6/oz, breaking a two-day losing streak as the USD dipped. Crude oil rallied for the second session after the EIA reported a total crude withdrawal of 4.72mil barrels last week. WTI soared by 2.3% to $72.76/barrel on the news while Brent crude climbed by another 1.8% to $75.29/barrel.

US Consumer Confidence soared despite Covid surge:

- The Conference Board Consumer Confidence Index advanced for the third consecutive month in December, implying that US consumers brushed off the recent surge in Covid-19 cases ahead of the Christmas holidays. The index rose sharply by 3.5% m/m to 115.80, from an upwardly revised 111.90 in November, driven by the higher expectations index (consumers' short-term outlook for income, business, and labour market conditions). The present situation index was relatively flat but still high, indicating that economic momentum remained strong.

US existing home sales posted third consecutive growth:

- Existing home sales rose 1.9% m/m in November (Oct: +0.8%), to a seasonally adjusted annual pace of 6.46million units, its highest level since January. The

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	35,753.89	0.74
S&P 500	4,696.56	1.02
NASDAQ	15,521.89	1.18
Stoxx 600	478.36	0.92
FTSE 100	7,341.66	0.61
Nikkei 225	28,562.21	0.16
Hang Seng	23,102.33	0.57
Straits Times	3,087.51	0.08
KLCI 30	1,500.32	0.52
FX		
Dollar Index	96.08	-0.43
EUR/USD	1.1326	0.36
GBP/USD	1.3352	0.68
USD/JPY	114.10	0.00
AUD/USD	0.7214	0.82
USD/CNH	6.3776	0.02
USD/MYR	4.2130	0.10
USD/SGD	1.3620	-0.16
Commodities		
WTI ($/bbl)	72.76	2.31
Brent ($/bbl)	75.29	1.77
Gold ($/oz)	1,801.60	0.77

Source: Bloomberg, HLBB Global Markets Research

November print marked the third back-to-back growth for the sales of previously owned homes in the US, underscoring the strong housing demand that was supported by a robust labour market.

US 3Q GDP growth revised higher:

- The US third quarter GDP growth was revised higher to 2.3% q/q annualised rate, from 2.1% initially estimated. This followed a 6.7% q/q expansion in the second quarter. The lower GDP growth rate reflects a slowdown in consumer spending as the resurgence of Covid-19 infections led to new restrictions as well as reopening delays in some parts of the country. Nonetheless, personal consumption contributed 1.35ppts to the headline index whereas gross investment added 2.05ppts. However, net exports deducted 1.26ppts from growth due to poorer export performance.
- Meanwhile, the Chicago Fed National Activity Index ticked lower to +0.37 in November, from +0.75 in October, suggesting moderating economic growth in the US last month.

UK 3Q GDP growth revised lower:

- The UK economy grew at a smaller than estimated rate in the third quarter as the impact of economic reopening waned during that period; the 3Q GDP was revised lower to reflect a smaller expansion of 1.1% q/q, compared to the initial estimate of 1.3%. In the second quarter, GDP growth turned around to 5.4% q/q following the gradual lifting of restrictions. On a year-on-year basis, GDP growth was revised higher to 6.8%, from 6.6%.
- Household's final consumption remained the biggest driver supporting the economy, contributing 1.55 percentage points (ppts) to the q/q headline growth, followed by investment which added 0.78ppts. Net exports (-1.24ppts) served as a drag reflecting weaker exports.

Malaysia's CPI inflation accelerated in November:

- Malaysia's headline CPI inflation came in at an elevated rate of 3.3% y/y in November, exceeding its long-term average of 1.6% (2011-2021), according to the Department of Statistics Malaysia. November reading was slightly higher than the consensus forecast of 3.2%; In October, CPI rate had been at 2.9% y/y. Stripping out the volatile items of fresh food and government-controlled goods, core inflation picked up to 0.9% y/y, from 0.7% prior. The steeper inflation rate coincided with the reopening of interstate borders and all economic sectors within Malaysia in October, allowing consumers more options to spend in the retail sector, as reflected in the higher prices of furnishing & household equipment as well as gain in the restaurants & hotels sector. Nonetheless, the main drivers remain the higher cost of transport, housing & utilities as well as raw food for cooking.

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
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%
24/12	JP Natl CPI Ex Fresh Food YoY (Nov)	0.1%
	SG Industrial Production YoY (Nov)	16.9%

Source: Bloomberg

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