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Global Markets Research

Daily Market Highlights

24-Nov: Policy continuity boosted yields

Yields pushed up further by Powell's renomination; USD strength waned

Crude oil prices jumped as US and key countries said will tap into reserves

PMI readings showed strong economic activity in the US, Eurozone, UK

- US stocks ended Tuesday's session on a mixed note as economic optimism boosted cyclical shares and helped offset the continuous selloff in tech shares. The S&P 500 rose 0.2% alongside the Dow Jones which added 0.6% while the tech-focus NASDAQ shed 0.5%.
- US treasury yields continued to rise in response to Fed Chair Jerome Powell's nomination for a second term. The traditional move of renominating Fed Chair signals policy continuity at the Fed and reaffirmed general expectations that the central bank will stick to its policy normalisation path which involves a post-pandemic first rate hike next year. The yield on the benchmark 10Y UST picked up 4bps to 1.67%.
- The USD strength waned into Tuesday's session. The dollar recorded mixed performances against G10 currencies. CAD and EUR traded modestly higher while JPY and GBP weakened. The dollar index fell marginally (-0.06%) to 96.49.
- USD/MYR advanced 0.3% to 4.1985 earlier. Weekly outlook for USD/MYR remains neutral-to-bullish, premising on expectations for a still firmer USD, with little domestic catalyst to drive the MYR. We are eyeing a range of 4.16-4.20 this week.
- Gold prices edged lower for the fourth session. Futures shed 1.3% to \$1783.8/oz. Crude oil prices jumped as the market has priced in the US government's tapping into its petroleum reserves. The US plans to release 50mil barrels of crude from its Strategic Petroleum Reserve alongside the world's largest consumers namely, China, Japan, UK, India and South Korea in a coordinated effort to curb the surging prices. The move aims to protest the OPEC+'s refusal to accelerate production which may help ease prices. Brent crude rallied 3.3% to \$82.31/barrel while WTI climbed 2.3% to \$78.50/barrel.
- ECB board member Isabel Schnabel said in an interview that the region's inflation risks are skewed to the upside and said that plans to end the pandemic emergency bond buying program (PEPP) are still valid despite the fourth Covid-19 wave in Europe. The remarks suggest that the ECB attempts to join its counterparts in withdrawing pandemic stimulus. BOE Governor Andrew Bailey said that the MPC may reduce forward guidance on rates and decisions could be made meeting-by-meeting.

PMI readings point to solid expansion in the US, Eurozone & UK:

- Private sector expansion in the US remained strong despite labour shortages and supply chain bottlenecks. The flash Markit manufacturing PMI reading for the US rose to 59.1 in November (Oct: 58.4). The services PMI came in at a lower but still reasonably solid level of 57.0 (Oct: 58.7).

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	35,813.80	0.55
S&P 500	4,690.70	0.17
NASDAQ	15,775.14	-0.50
Stoxx 600	479.25	-1.28
FTSE 100	7,266.69	0.15
Nikkei 225	29,774.11	0.09
Hang Seng	24,651.58	-1.20
Straits Times	3,227.53	-0.30
KLCI 30	1,522.88	-0.26
FX		
Dollar Index	96.49	-0.06
EUR/USD	1.1248	0.10
GBP/USD	1.3378	-0.14
USD/JPY	115.14	0.23
AUD/USD	0.7228	0.04
USD/CNH	6.3911	0.01
USD/MYR	4.1985	0.31
USD/SGD	1.3653	0.07
Commodities		
WTI (\$/bbl)	78.50	2.28
Brent (\$/bbl)	82.31	3.27
Gold (\$/oz)	1,783.80	-1.25

Source: Bloomberg, HLBB Global Markets Research

- The Eurozone's economic activity expanded at a faster pace in November before the resurgence of a new Covid-19 wave that spurred possibilities of stricter restrictions or even national lockdowns. The Markit manufacturing PMI rose slightly to 58.6 (Oct: 58.3) while the services PMI advanced considerably to 56.6 (Oct: 54.6).
- Meanwhile in the UK, manufacturing PMI climbed to 58.2 in November (Oct: 57.8) while the services gauge slipped to 58.6 (Oct: 59.1), indicating that business activity continued to grow at a decent pace nonetheless.

Singapore's 3Q growth revised higher to 7.1% y/y:

- Singapore's 3Q GDP growth was revised higher to 7.1% y/y, from 6.5% y/y in the advance reading. This followed the 15.1% y/y expansion in 2Q. On a q/q comparison, the economy turned around to register a strong 1.3% expansion (revised from +0.8% q/q in first estimate) following the 1.8% q/q contraction in 2Q during which the government imposed strict restrictions to counter the Covid-19 resurgence. The rebound was supported by the services sector growth as manufacturing output edged lower slightly amid the supply chain bottlenecks.

Singapore's CPI inflation accelerated in October:

- Singapore's CPI inflation accelerated to 3.2% y/y in October from 2.5% y/y in September; the reading came in higher than the consensus forecast of 2.8% y/y, attributed to the low base effect from last year. m/m, from 0.4% previously. The stronger y/y gain reflected stronger private transport and accommodation inflation as well as higher services and food inflation and a smaller decline in prices of retail & other goods. The MAS core inflation rose to 1.5% y/y in the same month (Sep: +1.2%).
- On a month-on-month basis, inflation slowed to 0.3% (Sep: +0.4%). The modest increase was driven by the increase of car prices. Core CPI picked up 0.3% m/m (Sep: +0.2%) thanks to higher services costs, electricity and gas costs.
- The MAS said that rising imported and labour costs alongside the recovery in domestic economic activity are expected to support a steady increase in core inflation in the quarters ahead. It expects core inflation to come in near the upper end of 0-1% forecast range in 2021 and to further increase to 1-2% in 2022.

House View and Forecasts

FX	This Week	4Q-21	1Q-22	2Q-22	3Q-22
DXY	94-96	94.50	95.00	95.50	96.50
EUR/USD	1.13-1.15	1.15	1.14	1.14	1.13
GBP/USD	1.33-1.36	1.35	1.35	1.34	1.33
AUD/USD	0.71-0.74	0.72	0.71	0.71	0.70
USD/JPY	113-115	112	113	114	115
USD/MYR	4.16-4.20	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%	0-0.25%	0-0.25%
ECB	-0.50	-0.50	-0.50	-0.50	-0.50
BOE	0.10	0.10	0.10	0.10	0.25
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
24/11	JP Jibun Bank Japan PMI Mfg (Nov P)	53.2
	JP Jibun Bank Japan PMI Services (Nov P)	50.7
	NZ RBNZ Official Cash Rate (24 Nov)	0.5%
	US MBA Mortgage Applications (19 Nov)	-2.8%

	US Initial Jobless Claims (20 Nov)	--
	US Advance Goods Trade Balance (Oct)	-\$96.3b
	US GDP Annualized QoQ (3Q S)	2.0%
	US Durable Goods Orders (Oct P)	-0.3%
	US Personal Income (Oct)	-1.0%
	US Personal Spending (Oct)	0.6%
	US PCE Core Deflator YoY (Oct)	3.6%
	US U. of Mich. Sentiment (Nov F)	66.8
	US New Home Sales MoM (Oct)	14.0%
25/11	US FOMC Meeting Minutes (03 Nov)	--
	NZ Exports NZD (Oct)	4.40b
	JP Machine Tool Orders YoY (Oct F)	81.5%
	HK Exports YoY (Oct)	16.5%

Source: Bloomberg

Hong Leong Bank Berhad

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

HLMarkets@hlbb.hongleong.com.my

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