

Global Markets Research

Daily Market Highlights

Key Takeaways

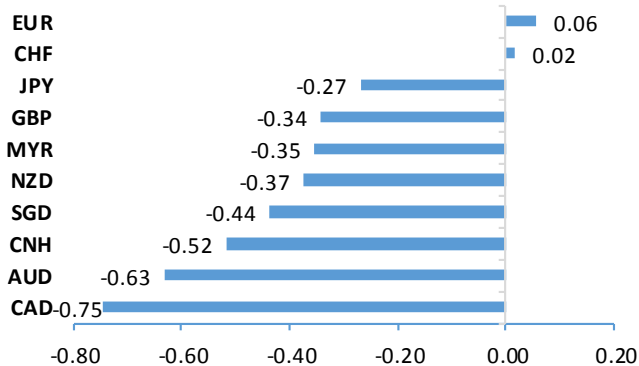
- **US stocks broadly declined on Friday but closed out the week on a positive note** as Joe Biden was sworn in as the 46th president and on the back of upbeat 4Q corporate earnings. For the week, the Dow was flat but the S&P 500 picked up 1.2%; NASDAQ outperformed by ramping up a more than 3% weekly increase. Treasury yields were little changed last week. Gold futures went up 1.4% w/w to \$1856.2/oz while crude oil benchmarks were on a mixed note. Brent crude picked up 0.6% w/w to \$55.4/barrel while WTI shed 0.2% w/w to \$52.27/barrel. Asian stock futures are pointing to a muted start this morning while US futures were in the reds.
- **Focus turns to the Federal Reserve's meeting** this week while key data include the first estimate of US 4Q GDP report, due Thursday. Investors will continue paying attention to the vaccine rollout across major economies and the Biden Administration's policy.
- **Flash PMI data showed that business activity continued to rise in the US, indicating a good start for 2021 despite the pandemic.** Meanwhile, tighter restrictions put in place alongside a softer demand have affected both the manufacturing and services sector in the Eurozone, UK and Japan. US' existing home sales unexpectedly rose in December and the total sales of 5.6 million units in 2020 were its best performance since 2006. The UK's retail sales underperformed at a mere 0.3% growth in December despite the holiday season. Malaysia's CPI fell 1.4% y/y, its 10th consecutive negative print.
- **DXY grinded slightly and ended Friday in the 90.20 region.** This comes as US composite PMI figures improved to 58 from 55.3, although markets had some risk aversion. We are neutral-to-bearish on the USD for the week ahead. For the week ahead, focus is on FOMC decision on 28 January, after ECB and BOJ meetings.
- **USD/MYR rebounded by 0.4% to 4.0435 on Friday, snapping a three-day losing streak.** For the week, the pair gained 0.2% w/w, its third consecutive weekly gain. We are slightly bullish on MYR in a holiday-shortened week ahead, anticipating an improvement in risk sentiments with major event risks behind us. FOMC meeting will unlikely spring any surprises.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	30,996.98	-0.57	1.28
S&P 500	3,841.47	-0.30	2.27
FTSE 100	6,695.07	-0.30	3.63
Hang Seng	29,447.85	-1.60	8.14
KLCI	1,596.74	0.12	-1.87
STI	2,991.53	-0.85	5.19
Dollar Index	90.24	0.12	0.33
WTI oil (\$/bbl)	52.27	-1.62	7.69
Brent oil (\$/bbl)	55.41	-1.23	6.97
Gold (\$/oz)	1,856.20	-0.52	-2.05
CPO (RM/tonne)	3,570.00	2.76	-5.76

Source: Bloomberg

FX Daily Change vs USD (%)



Source: Bloomberg

Overnight Economic Data

US	↑	Eurozone	↓
UK	↓	Japan	↓
Malaysia	→		

Up Next

25/01	SI CPI YoY (Dec)	-0.1%
	US Chicago Fed Nat Activity Index (Dec)	0.27
	US Dallas Fed Manf. Activity (Jan)	9.7
26/01	NZ Performance Services Index (Dec)	46.7
	SI Industrial Production YoY (Dec)	17.9%
	UK Jobless Claims Change (Dec)	64.3k
	UK ILO Unemployment Rate 3Mths (Nov)	4.9%
	UK Employment Change 3M/3M (Nov)	-144k
	HK Exports YoY (Dec)	5.6%
	US FHFA House Price Index MoM (Nov)	1.5%
	US S&P CoreLogic CS 20-City YoY NSA	7.95%
	US Conf. Board Consumer Confidence	88.6
	US Richmond Fed Manufact. Index (Jan)	19.0

Source: Bloomberg

Macroeconomics

- **PMI data showed robust growth in US activity but pull-backs in the Eurozone, UK and Japan:**
 - The US Markit Manufacturing PMI rose to 59.1 in January (Dec: 57.1); the services PMI surged to 57.5 (Dec: 54.8), indicating a strong start to US business activity in 2021.
 - The Eurozone Markit Manufacturing PMI fell to 54.7 in January (Dec: 55.2) but nonetheless still at an expansionary level that indicates resilience of the Eurozone's manufacturing sector. The services PMI was down to 45.0 (Dec: 46.4) due to tighter restrictions.
 - The UK Markit/CIPS Manufacturing PMI pulled back to 52.9 in January (Dec: 57.5) as activity eased from Brexit-related front loading in the month prior. The services PMI tanked to 38.8 (Dec: 49.4), reflecting the impact of the third lockdown and softer consumer demand at the beginning of the year.
 - The Jibun Bank Japan Manufacturing PMI fell to 49.7 in January (Dec: 50.0), a renewed contraction in manufacturing activity. The services PMI also slid to 45.7 (Dec: 47.7), pointing to steeper decline in services activity. This comes as the Japanese government imposed a State of Emergency in several key prefectures to combat its worst Covid-19 wave yet.
- **US existing home sales surprise on the upside:** Existing home sales unexpectedly rose 0.7% m/m to an annual pace of 6.76mil in December. Analysts had been expecting sales to fall 1.9%. This represents a rebound from the upwardly revised 2.2% decline in November, adding to signs of housing market resilience that was undeterred by the pandemic. Existing homes have been recording six monthly growths within a seven-month period since June last year. For 2020, total sales amounted to 5.6mil units (+5.6% y/y), its best year since 2006.
- **UK retail sales underperformed despite lifting of lockdown in December:** Retail sales in the UK rose a mere 0.3% m/m in December, following a sharp 4.1% decline prior. Analysts had anticipated a more upbeat 1.3% growth. The rebound in sales of clothing (+21.5%) and total online sales (+1.7%) during the holiday season were offset by fall in sales at food stores (due to surging coronavirus), non-specialised stores and household goods. Sales of fuel continued to go down as well. Sales underperformed despite December being the period between the second and third lockdowns in the UK, pointing to weak underlying demand.
- **Malaysia recorded narrower decline in CPI, higher foreign reserves:**
 - Headline Consumer Price Index (CPI) continued to see negative print for the 10th straight month in December, falling 1.4% y/y (Nov: -1.7% y/y), within our expectations. Core CPI stabilized at 0.7% y/y in December, while services inflation also held steady at 0.9% y/y in December, suggesting well-contained underlying inflation amid benign demand conditions. MOM, inflation rebounded to increase 0.5% (Nov: -0.2%), pointing to some pick-up in price pressure.
 - In a separate note by BNM, Malaysia's foreign reserves rose to \$107.8b as at 15 January, from \$107.6b prior. This is sufficient to finance 8.7 months of retained imports and is 1.2 times external debt.

Forex

MYR (Neutral to Bullish)

- USD/MYR rebounded by 0.4% to 4.0435 on Friday, snapping a three-day losing streak. For the week, the pair gained 0.2% w/w, its third consecutive weekly gain. We are slightly bullish on MYR in a holiday-shortened week ahead, anticipating an improvement in risk sentiments with major event risks behind us. FOMC meeting will unlikely spring any surprises.
- **Factors supporting:** Economic recovery, less dovish MPC, USD weakness
- **Factors against:** Risk aversion, domestic politics, second lockdown.

USD (Neutral-to-Bearish over 1-Week Horizon)

- DXY grinded slightly and ended Friday in the 90.20 region. This comes as US composite PMI figures improved to 58 from 55.3, although markets had some risk aversion. We are neutral-to-bearish on the USD for the week ahead. For the week ahead, focus is on FOMC decision on 28 January, after ECB and BOJ meetings.
- **Factors supporting:** Risk aversion, Covid-19 resurgence
- **Factors against:** Fed accommodation, vaccine, potential US stimulus, Buoyant sentiments

EUR (Neutral)

- EUR/USD rose modestly on Friday to close at 1.2171. PMIs showed deterioration in activity in January, with composite PMI staying in negative territory (47.5 vs. 49.1 a month ago). We stay neutral on the EUR, as market attention may turn to fundamentals after recent recovery in risk sentiments. Focus is on confidence indices. Resistance is currently at 1.2350.
- **Factors supporting:** Economic data rebound
- **Factors against:** Risk aversion, Covid-19 outbreak

GBP (Neutral-to-Bullish)

- GBP/USD traded mostly downwards on Friday, closing at 1.3686. We retain our neutral-to-bullish stance on the GBP as the pound was hit by poor UK data, as December retail sales were only up by a modest amount. Public Sector Net borrowing in the same month rose as well. Resistance is now at 1.3760 and the next big figure is at 1.3800.
- **Factors supporting:** Breakthrough in news, USD weakness
- **Factors against:** Risk aversion, Brexit, twin deficits, Bank of England increasing monetary accommodation

JPY (Neutral)

- USD/JPY traded mostly upwards on Friday, closing at 103.78. This came as inflation data stayed negative around the -1% region. We are neutral on the JPY for the coming week, in an environment of slight dollar weakness. We watch for range of 103.00-104.40, with a breakaway signalling at some momentum either way.
- **Factors supporting:** BOJ policy, risk aversion, dollar weakness
- **Factors against:** Weak fundamentals

AUD (Neutral-to-Bullish)

- AUD/USD traded downwards during Friday's trading session to close the session out at 0.7715. We are neutral-to-bullish on the AUD for the week ahead. We still see focus towards the 0.78-0.80 range, supported by the rally in commodity prices. Support at 0.7600. For the week ahead, data focus is on CPI, where markets expect some stability.
- **Factors supporting:** Fundamentals improve from current levels
- **Factors against:** Risk aversion, RBA policy, Australia-China relations

SGD (Neutral-to-Bullish)

- USD/SGD moved higher on Friday, to close out the session at 1.3286. We are slightly bullish on SGD, expecting modest gains against the dollar in the week ahead. Covid-19 vaccination rates are rising globally, that should gradually help lift confidence in economic rebound. Still, the recent community cases in Singapore and warnings that Singapore may tighten activity regulations may stem strong SGD gains. Resistance is at 1.3200.
- **Factors supporting:** Economic recovery, CNH strength
- **Factors against:** Risk aversion, potential deterioration in Singapore fundamentals

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
Email: HLMarkets@hlbb.hongleong.com.my

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