

Global Markets Research

Daily Market Highlights

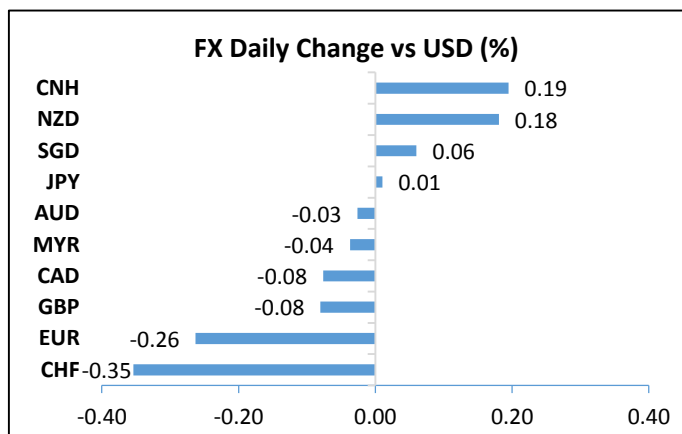
Key Takeaways

- **US stock indexes ended Monday's session on a mixed note as potential delay in Biden's stimulus package as well as vaccine rollout dragged on overall sentiment but the strength in tech stocks pressed on.** The Dow Jones was down for the third consecutive session by 0.1% d/d, while the S&P500 index and NASDAQ each posted 0.4% and 0.7% gain. Stocks had fallen in Europe earlier and were generally mixed in Asia. **Senate Majority Leader Chuck Schumer said that they might pass President Biden's stimulus plan by mid-March** when unemployment benefits run out for most Americans. Biden's chief medical officer expressed concerns over the potential delay in administering the second doses of Covid-19 vaccines.
- **Treasury yields tracked lower European bond yields**, trading lower by 0.6 to 5.7bps; 10Y UST yield recorded its steepest drop since mid-Nov (-5.6bps) at 1.03%. The demand for bonds was **spurred by the fall in Germany's IFO Index** that indicates gloomier business outlook in the continent amid the raging pandemic. **The dollar broadly strengthened for the second session despite lower yields, ahead of the FOMC meeting; Gold futures were flat** at \$1855/oz; crude oils recovered by around 0.9% (Brent settled at \$55.88/barrel and WTI at \$52.77/barrel). **Former Fed Chair Janet Yellen was just confirmed by the Senate as Biden's Treasury Secretary.**
- Data were limited to US Chicago Fed National Index which improved to +0.52 in December that indicates an uptick in US growth. The Dallas Fed Index retreated slightly and recorded its weakest reading in six months. Singapore's inflation was flat in December. New Zealand's services sector activity continued to decline albeit at slower rate.
- DXY gained for the second consecutive session on Monday (by 0.17%), up to a high of 90.52 before closing at 90.39. This came on the back of weaker EUR and CHF. Markets were choppy during the US session, as investors mulled over stimulus and technology share gains. Janet Yellen was confirmed by the Senate to be the US Treasury Secretary. We are **neutral-to-bearish on the USD** for the week ahead. Focus is on FOMC decision on 28 January, after ECB and BOJ meetings.
- USD/MYR was flat on Monday, after having recovered some losses last Friday. We turned **neutral to bullish on the pair today** amid stronger USD overnight ahead of the FOMC meeting. Although it is unlikely to offer any major surprises.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	30,960.00	-0.12	1.16
S&P 500	3,855.36	0.36	2.64
FTSE 100	6,638.85	-0.84	2.76
Hang Seng	30,159.01	2.41	10.75
KLCI	1,576.62	-1.26	-3.11
STI	2,973.65	-0.60	4.57
Dollar Index	90.39	0.17	0.50
WTI oil (\$/bbl)	52.77	0.96	8.72
Brent oil (\$/bbl)	55.88	0.85	7.88
Gold (\$/oz)	1,855.20	-0.05	-2.16
CPO (RM/tonne)	3,572.00	0.44	-5.70

Source: Bloomberg



Source: Bloomberg

Overnight Economic Data

US	→	Singapore	→
New Zealand	↑		

Up Next

26/01	SG 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
27/01	AU Westpac Leading Index MoM (Dec)	0.46%
	AU CPI YoY (4Q)	0.7%
	AU NAB Business Confidence (Dec)	12
	CH Industrial Profits YoY (Dec)	15.5%
	US Durable Goods Orders (Dec P)	1.0%

Source: Bloomberg

Macroeconomics

- **Chicago Fed National Activity Index ticked up in December:**
 - The Chicago Fed National Activity Index rose to +0.52 in December, from +0.31 in November, pointing to an uptick in economic growth. This was led by improvements in production-related indicators (rise in industrial production and manufacturing sector employments in Dec) while overall consumption indicators weakened.
 - The Dallas Fed Manufacturing Index retreated to 7.0 in January, from 9.7 prior, its weakest reading in six months, suggesting some easing in factory activities at the start of the year in Texas.
- **Singapore's headline inflation recovered to 0% y/y in December:**
 - Singapore's headline inflation turned flat in December, while core inflation fell 0.3% y/y (-0.2% for both in Nov). In our view, inflation trends in Singapore have stayed relatively stable, not moving much over the past few months.
 - We do not forecast a huge pick up in the coming months as well, forecasting a 0.5% increase in headline inflation for 2021. It is likely to be a consolidative year for inflation, barring any externally driven risks. Prior supports, like food, are likely to ease in the coming months. In contrast, the drags to headline inflation in 2020 (recreation and culture, clothing and footwear) is likely to partially dissipate in 2021. Energy inflation is the main risk that may drive core inflation higher to 0.7% in 2021, in our view.
 - MAS has turned slightly more hawkish following the latest data, anticipating "pick up" in external inflation from it staying "low" in the previous month. In our view, slightly higher expectations of inflation in 2021 (core of 0-1% and headline of -0.5% to 0.5%), compared to the 0.2% drop in 2020, is supportive of our view of MAS making no changes to its policy stance in April. A pullback in inflation expectations may result in some downward re-centering of the SGD NEER in our view.
- **Leading indicators suggest flat growth in New Zealand:** The Performance of Services Index (PSI) improved to 49.2 in December (Nov: 46.7) but the sub-50 reading indicates a contraction in services activity. BNZ which published the index said that the PSI combined with the PMI (also fell below 50 recently) painted a picture of GDP struggling to expand. The composite index is consistent with its view that real GDP would be broadly flat over the six months to Mar-21.

Forex

MYR (Neutral to Bearish)

- USD/MYR was flat on Monday, after having recovered some losses last Friday. We turned neutral to bullish on the pair today amid stronger USD overnight ahead of the FOMC meeting. Although it is unlikely to offer any major 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 gained for the second consecutive session on Monday (by 0.17%), up to a high of 90.52 before closing at 90.39. This came on the back of weaker EUR and CHF. Markets were choppy during the US session, as investors mulled over stimulus and technology share gains. Janet Yellen was confirmed by the Senate to be the US Treasury Secretary. We are neutral-to-bearish on the USD 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 pulled back after Friday's gains, down to a low of 1.2116 after the previous session's high of 1.2183. We stay neutral on the EUR, as market attention may turn to fundamentals after recent recovery in risk sentiments. We see a range of 1.2068 (support) and 1.2250 (resistance).
- **Factors supporting:** Economic data rebound
- **Factors against:** Risk aversion, Covid-19 outbreak

GBP (Neutral-to-Bullish)

- GBP/USD closed relatively flat although it attempted to stay above 1.37 big figure, Pair touched a high of 1.3723 before closing 1.3675, dampened by dollar strength. We retain our neutral-to-bullish stance on the GBP, although risks are on the downside. Resistance is at 1.3760, while a pullback turns attention to 1.3580.
- **Factors supporting:** Breakthrough in news, USD weakness
- **Factors against:** Risk aversion, Brexit, twin deficits, Bank of England increasing monetary accommodation

JPY (Neutral)

- USD/JPY was relatively range bound on Monday, closing at 103.75. Risk aversion benefitted JPY resilience. We stay neutral on the JPY for the coming week. We watch for a 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 saw an offered tone after an intraday high of 0.7747, eventually pulling pair to a close of 0.7713. This stemmed partly from dollar strength and risk aversion. We are neutral-to-bullish on the AUD for the week ahead. For the week ahead, data focus is on CPI, where markets expect some stability. We see support around the 0.7670 and resistance close to the 0.78 big figure.
- **Factors supporting:** Fundamentals improve from current levels
- **Factors against:** Risk aversion, RBA policy, Australia-China relations

SGD (Neutral-to-Bullish)

- USD/SGD was steady, down by only 0.06% to close at 1.3278. 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. Recent global risk aversion is also not helpful. Resistance is at 1.3220, while support at 1.3336.
- **Factors supporting:** Economic recovery, CNH strength
- **Factors against:** Risk aversion, potential deterioration in Singapore fundamentals

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