

27 December 2021

Global Markets Research

Daily Market Highlights

27-Dec: Focus shifts to Covid headlines

Dollar staged a modest rebound last Friday

PBOC signalled more monetary policy support

Expect a quiet financial market in this last week of 2021

- US stocks futures edged higher this morning, pointing to a positive start this week; US markets were closed on Friday for Christmas' eves. This followed after the S&P 500 surged to a record high on Thursday, despite the cooling US consumer spending.
- The bond market was also closed on Friday; the yield on the benchmark UST was last seen at 1.49% before the holiday. The broad USD rebounded modestly against the G10 currencies on Friday. EUR, CAD, CHF and JPY were little changed.
- USD/MYR closed 0.1% lower at 4.1960 on Friday. For the week, the pair shed 0.6%. In the week ahead, we turn Neutral on USD/MYR, attributed to our firm USD view ahead of the year end, expecting the pair to range 4.1800-4.2300. That said, potential year end window-dressing could tilt the pair slightly to the downside.
- On Friday, Brent crude snapped a three-day rally to close 0.9% lower at \$76.14/barrel thanks to profit taking activities. The US market was shut. WTI last closed at \$73.79/barrel on Thursday.
- The Covid-19 Omicron variant continues to spread globally over the weekend. New York state in the US reported a record number of above 44k new infections on Christmas Eve; In China, the PBOC said in a statement on Saturday that there would be more proactive utilisation of monetary policy tools moving forward, in what appears to be a pledge for greater support to the Chinese economy. The country registered 158 cases on Saturday, where nearly all cases were concentrated in Xi'an. The 13-million resident city was put in lockdown starting last Thursday and authorities zero in to curb the virus.
- In the week ahead, the focus remains on Covid headlines but trading volumes across multiple assets are likely to be low in the last week of 2021. Key US data include advanced goods trade and pending home sales while China will report its monthly PMI readings.

Japan's retail sales climbed for the third month:

- Retail sales in Japan rose 1.2% m/m in November (Oct: +1.0%), marking its third consecutive monthly gain since September during which the number of new Covid infections in the country began to plunge sharply. The Japanese government soon lifted the State of Emergency at end-September, with the number of new cases remaining low (+225 cases on Sunday) to these days. The rise in retail sales suggest that consumers are making up for the months of lost spending, as sales in most sectors picked up. On a year-on-year basis, retail sales rose 1.9% (Oct: +0.9%), partly driven by the low base from the previous year.

Singapore's industrial production growth slowed in November:

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones*	35,950.56	0.55
S&P 500*	4,725.79	0.62
NASDAQ*	15,653.37	0.85
Stoxx 600	482.51	-0.10
FTSE 100	7,372.10	-0.02
Nikkei 225	28,782.59	-0.05
Hang Seng	23,223.76	0.13
Straits Times	3,108.28	0.37
KLCI 30	1,516.45	0.00
FX		
Dollar Index*	96.02	-0.06
EUR/USD	1.1319	-0.07
GBP/USD	1.3386	-0.16
USD/JPY	114.38	-0.01
AUD/USD	0.7221	-0.32
USD/CNH	6.3739	-0.02
USD/MYR	4.1955	-0.11
USD/SGD	1.3589	0.04
Commodities		
WTI (\$/bbl)*	73.79	1.42
Brent (\$/bbl)	76.14	-0.92
Gold (\$/oz)*	1,811.20	0.53

*Last closing price for 23 December

Source: Bloomberg, HLBB Global Markets Research

- Singapore's industrial production rose more than expected by 2.3% m/m in November, steadying from the 2.4% growth in the previous month. This translates to a 14.6% y/y growth in November output when compared to last year, a slowdown from the 17.0% gain prior. The larger gain in electronics output, precision as well as general engineering was offset by the much slower growth in biomedical, chemicals and transport engineering.

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
27/12	CN Industrial Profits YoY (Nov)	24.6%
	US Dallas Fed Manf. Activity (Dec)	11.8
28/12	JP Jobless Rate (Nov)	2.7%
	JP Industrial Production MoM (Nov P)	1.8%
	MA Exports YoY (Nov)	25.5%
	HK Exports YoY (Nov)	21.4%
	US FHFA House Price Index MoM (Oct)	0.9%
	US S&P CoreLogic CS US HPI YoY NSA (Oct)	19.51%
	US Richmond Fed Manufact. Index (Dec)	11.0

Source: Bloomberg

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