28 December 2021

Global Markets Research
Daily Market Highlights

28-Dec: USD retreated on renewed risk sentiment

US stocks rose amid thin trading; S&P 500 hit new high
USD weakened against most G10 currencies
Treasuries traded on mixed note

- US stocks rose overnight amid thin trading volume in the last week of 2021. The Dow Jones rose nearly 1.0% alongside the 1.4% increase in the S&P 500 which reached a new record level. The tech-focus NASDAQ index also jumped 1.4% to a one-month high.

- Treasuries traded on a mixed note after the long weekend. Longer-end yields ticked lower whereas the front-end yields picked up slightly. The yield on the benchmark 10Y UST fell 1.7bps to 1.48%.

- USD weakened against most G10 currencies except JPY and NZD as the easing concerns over the Omicron variant gave rise to risk-on sentiment. The dollar index last closed at 96.09 (+0.08%).

- USD/MYR slipped 0.3% to 4.1835 on Monday. We are neutral to slightly bearish on USD/MYR today, as the renewed positive risk sentiment may weigh on the USD while the year-end window dressing activity on the local front may continue to tilt the pair to the downside.

- In the commodity space, gold futures fell 0.2% to $1808.8/oz, attributed to profit taking activity and firmer risk sentiment. Brent crude rebounded sharply (+3.2%) to $78.60/barrel while WTI picked up to $75.57/barrel (+2.4%) after the US market reopened.

Texas' manufacturing conditions remained solid:
- The Dallas Fed general business activity index pulled back to 8.1 in December, down by nearly four points from 11.8 in November, indicating smaller improvement in the perceptions of broader business conditions in Texas. However, the production index, a key measure of the state's manufacturing conditions, held steadily at 26.7 (Nov: 27.4), implying solid output growth.

Japan's jobless rose to 2.8%; industrial productions surged at record rate:
- Japan's jobless rate rose to 2.8% in November, from 2.7% prior as more, despite the stable pandemic situation in the country that saw continuously low new infections. The labour participation rate remained at 62%. Meanwhile, a separate report showed that the country's job-to-applicant ratio was unchanged at 1.15 but the new job-to-applicant ratio ticked higher to 2.13 (from 2.08). The number of new jobs offered also rose sharply by 4.1% m/m (Oct: +0.4%), a sign of improving labour market conditions.
- Industrial production jumped by 7.2% m/m in November (Oct: +1.8%), beating the consensus expectation of a 4.8% growth. The record surge in output reflects Japanese factories catching up with output towards the end of the year, especially after the local pandemic situation improved substantially. Output had fallen for

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	36,302.38	0.98
S&P 500	4,791.19	1.38
NASDAQ	15,871.26	1.39
Stoxx 600	485.49	0.62
FTSE 100	7,372.10	-0.02
Nikkei 225	28,676.46	-0.37
Hang Seng	23,223.76	0.13
Straits Times	3,104.24	-0.13
KLCI 30	1,533.91	1.15
FX		
Dollar Index	96.09	0.08
EUR/USD	1.1328	0.08
GBP/USD	1.3441	0.41
USD/JPY	114.87	0.43
AUD/USD	0.7239	0.25
USD/CNH	6.3750	0.02
USD/MYR	4.1835	-0.29
USD/SGD	1.3569	-0.15
Commodities		
WTI ($/bbl)	75.57	2.41
Brent ($/bbl)	78.60	3.23
Gold ($/oz)	1,808.80	-0.16

Source: Bloomberg, HLBB Global Markets Research three consecutive months during the July-September period. On a y/y basis, industrial production growth also accelerated to 5.4%, following the 4.1% decline prior.

China's industrial profit growth slowed:

- China's industrial profit growth slowed tremendously to 9.0% y/y, from 24.6% prior as manufacturers' margin was compressed by surging input costs. November's y/y growth was the slowest since May; for the first 11 months of 2021, profits rose 38% y/y, compared to 0.7% y/y in the same period last year.

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
28/12	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)	19.5%
	US Richmond Fed Manufact. Index (Dec)	11.0
29/12	VN Industrial Production YoY (Dec)	3.6%
	VN GDP YoY (4Q)	-6.17%
	VN CPI YoY (Dec)	2.1%
	VN Exports YoY (Dec)	18.5%
	US Advance Goods Trade Balance (Nov)	-$82.9b
	US Pending Home Sales MoM (Nov)	7.5%

Source: Bloomberg

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