HongLeong Bank

Global Markets Research

Daily Market Highlights

Key Takeaways

- **US stocks rebounded overnight from the recent rout** amid solid corporate earnings and better US data. The broad-based increases were led by the financials and materials sectors. **Investor confidence was buoyed by brokers' move to curb trading of several volatiles stocks namely GameStop and AMC** that have captured enormous attentions global attention in the past week. Shares of GameStop plunged by 44% overnight. The Dow Jones and S&P500 both gained nearly 1% d/d while NASDAQ inched up by 0.5%. Treasury yields broadly picked up as the stock markets recovered; 10Y UST yield last traded 3bps lower at 1.05%. Safe haven dollar retreated as well amid stock markets rebound.

- Gold futures slipped 0.4% for the sixth session to $1841.8/oz. Oil prices fell on the back of concerns over the South African Covid-19 variant that is said to have reached the US. Brent crude shed 0.5% to $55.53/barrel and WTI lost nearly 1% to $52.34/barrel. **The Fed left its monetary policy unchanged as widely expected. It acknowledged that economic recovery pace has moderated in recent months but added "progress on vaccinations" in its statement**. Moody's affirmed Malaysia's A3 rating and maintained its Stable outlook, citing medium term growth prospect to "remain strong" and policy making institutions to remain "credible and effective".

- **The US economy expanded by 4% q/q annualised rate, leaving the full-year growth for 2020 at -3.5%.** Initial jobless claims fell to 847k last week. New home sales rose for the first time in five months but still posted the best year since 2006. US' goods trade deficit narrowed to $82.5b as exports surged. Eurozone's economic sentiment weakened in January. Japan's retail and manufacturing sectors battered by surging virus. New Zealand posted trade surplus in 2020, thanks to lower imports.

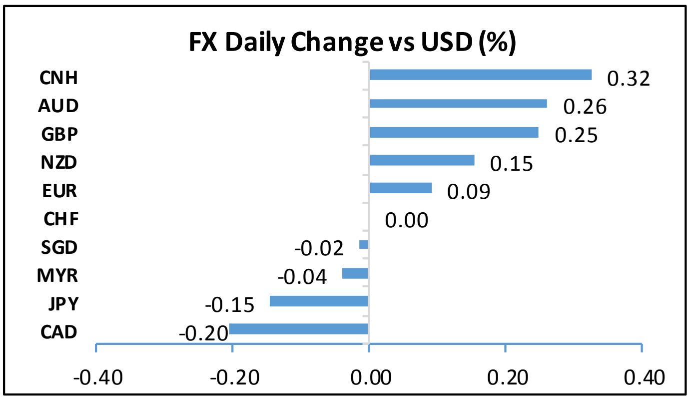
- **DXY was down by 0.21% on Thursday, coming off after Wednesday's increase.** We are neutral on the USD for the week ahead, although risks are for a stronger dollar. With major central banks staying neutral, major near-term drivers are on Covid-19 containment that will likely affect economic fundamentals, relative economic data and equity earnings. Market risk aversion may support a stronger dollar near-term, especially if confidence falls further.

- **USD/MYR closed on a flat note for the third consecutive session on Wednesday** at 4.0460 ahead of Thaipusam public holiday. We are neutral to slightly bearish on the pair, expecting not much of a movement ahead of the long weekend.

Market Snapshots

	Last Price	DoD %	YTD %
Dow Jones Ind.	30,603.36	0.99	-0.01
S&P 500	3,787.38	0.98	0.83
FTSE 100	6,526.15	-0.63	1.02
Hang Seng	28,550.77	-2.55	4.85
KLCI	1,580.62	0.34	-2.86
STI	2,920.30	-1.30	2.69
Dollar Index	90.46	-0.21	0.58
WTI oil ($/bbl)	52.34	-0.96	7.87
Brent oil ($/bbl)	55.53	-0.50	7.20
Gold (S/oz)	1,837.90	-0.38	-2.81
CPO (RM/tonne)	3,580.00	0.00	-5.49

Source: Bloomberg



Source: Bloomberg

Overnight Economic Data			
US	→	Eurozone	↓
Japan	↓	New Zealand	↑

Up Next

29/01	MA Exports YoY (Dec)	4.3%
	HK GDP YoY (4Q A)	-3.5%
	US Personal Income (Dec)	-1.1%
	US Personal Spending (Dec)	-0.4%
	US PCE Core Deflator YoY (Dec)	1.4%
	US MNI Chicago PMI (Jan)	58.7
	US Pending Home Sales MoM (Dec)	-2.6%
	US U. of Mich. Sentiment (Jan F)	79.2
01/02	Markit Manufacturing PMIs for Japan, China, Vietnam, Malaysia Eurozone, UK,	
	AU AiG Perf of Mfg Index (Dec)	52.1
	AU Home Loans Value MoM (Dec)	5.6%
	EC Unemployment Rate (Dec)	8.30%
	US Construction Spending MoM (Dec)	0.9%
	US ISM Manufacturing (Jan)	60.7

Source: Bloomberg

Macroeconomics

- ***US economy grew 4% in 4Q and shrank 3.5% for full year; new jobless claims still high:***
  - According to preliminary data, the US economy grew at an annualised rate of 4.0% q/q in the fourth quarter of 2020, following a sharp 33.4% rebound in the third quarter. Compared to the same quarter in 2019, real GDP was still 2.5% y/y lower. For the full 2020, the economy shrank by 3.5%, its first decline since the financial year crisis more than ten years ago.
  - Initial jobless claims were lower at 847k for the week ended 23 Jan, down from a revised 914k prior. The high levels of new filings for jobless benefits remained at high levels despite the weekly decline amid a sluggish job market revival that was further delayed by tighter business restrictions in certain states.
  - New home sales rose for the first time in five months by 1.6% m/m to 842k units annualised pace in December, after the sharp 12.6% decline prior. However the full year, sales climbed 3.6% to 811k, its highest level since 2006 before the subprime crisis. The median price for new homes rose 8% to $355.9k for 2020.
  - Goods trade deficit narrowed to $82.5b in December (Nov: -$85.5b) thanks to a robust exports growth of 4.6% m/m. Imports also increased albeit at a more modest pace of 1.4%. This suggests improvement in the US' international trade at year end; the full report is due next week.
  - The Conference Board Leading Index edged up by 0.3% m/m in December (Nov: +0.7%), suggesting moderating growth that was driven by weaker jobless claims data which shed 0.32ppt from the headline index.
  - The Kansas City Fed Manufacturing Index picked up to 17.0 in January, from 14.0 in December, against the moderating trend of other regional manufacturing gauges.

- ***Eurozone economic sentiment weakened in January:*** The European Commission Economic Confidence Index fell to 91.5 in January, from 92.4 prior of which consumer and services sector confidence levels both declined. Some improvement was noted in industrial sentiment. The extended lockdowns and rather slow rollout of vaccines may have contributed to the more gloomy feeling.

- ***Japan's retail and manufacturing sector hit by surging virus; jobless rate steady:***
  - Retail sales in Japan fell 0.8% m/m in December (Nov: -2.1%), marking its second consecutive monthly decline. Sales were 0.3% y/y lower compared to the same month last year. This mainly reflects fall in sales of food and beverages as surging virus cases curbed spending on dining. Sales of apparels and accessories managed to post a rebound.
  - Jobless rate was unchanged at 2.9% in December, better than analysts' expectations that called for a higher 3% rate. This was mainly because of the shrinkage of the labour force. Unemployment level still rose by 60k. The job-to-applicant ratio was also flat at 1.06 in the same month.
  - Industrial production fell 1.6% m/m in December (Nov: -0.5%), marking its second month of decline. The surging pandemic in November cut short the manufacturing industry's five-month gaining streak.

Forex

MYR (Neutral)

- USD/MYR closed on a flat note for the third consecutive session on Wednesday at 4.0460 ahead of Thaipusam public holiday. We are neutral to slightly bearish on the pair, expecting not much of a movement ahead of the long weekend.
- **Factors supporting**: Economic recovery, less dovish MPC, USD weakness
- **Factors against**: Risk aversion, domestic politics, second lockdown.

USD (Neutral over 1-Week Horizon)

- DXY was down by 0.21% on Thursday, coming off after Wednesday's increase. We are neutral on the USD for the week ahead, although risks are for a stronger dollar. With major central banks staying neutral, major near-term drivers are on Covid-19 containment that will likely affect economic fundamentals, relative economic data and equity earnings. Market risk aversion may support a stronger dollar near-term, especially if confidence falls further.
- **Factors supporting**: Risk aversion, Covid-19 resurgence
- **Factors against**: Fed accommodation, vaccine, potential US stimulus, Buoyant sentiments

EUR (Neutral)

- EUR/USD stayed relatively flat, closing at 1.2122 after an intraday range of 1.2081-1.2142. We stay neutral on the EUR, as markets stay vulnerable on sentiments shifts. We see a range of 1.2050 (support) and 1.2175 (resistance). A breakaway of the range will signal at some momentum either way.
- **Factors supporting**: Economic data rebound
- **Factors against**: Risk aversion, Covid-19 outbreak

GBP (Neutral)

- GBP/USD recovered slightly after Wednesday's losses, closing at 1.3721 after a high of 1.3746 on Thursday. We are neutral on the GBP, although risks are on the downside. Resistance is at 1.3760 (before 1.3800), 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-to-Bullish)

- USD/JPY was slightly down as the USD weakened. Pair reached a close of 104.24, after a tight intraday range of 104.07-104.46. We are slightly bullish on the JPY, dependent on dollar strength. JPY may outperform other G10 currencies during periods of risk aversion. 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

- ***New Zealand recorded trade surplus in 2020; consumer turned more upbeat on economy:***
  - New Zealand trade surplus narrowed to NZD2.94b in the 12 months to 31 Dec, down from the revised NZD3.3b in the 12 months to November. This compares to a deficit of NZD4.47b at end-2019, largely because of the fall in imports in the pandemic year.
  - The ANZ Consumer Confidence Index rose 1.6% m/m to 113.8 in January (Dec: 112.0). This marked its second consecutive monthly increase as consumers turned more upbeat over economic outlook at the start of the year. This was reflected in their better assessments of the economy 1 and 5 years ahead, family finance 1 year ahead and the climate to buy major household items.

AUD (Neutral-to-Bearish)

- AUD/USD slightly recovered from Wednesday's losses, up by 0.26% and closing at 0.7683. We turn neutral-to-bearish on the AUD for the week ahead, given some vulnerability to risk aversion. We see support around 0.7600 and resistance at 0.7750.
- **Factors supporting**: Fundamentals improve from current levels
- **Factors against**: Risk aversion, RBA policy, Australia-China relations

SGD (Neutral)

- USD/SGD stayed relatively flat on Thursday, with pair closing just below the 1.33 big figure after a high of 1.3341. We stay neutral, anticipating slight outperformance from domestic containment of the Covid-19 pandemic. Support is at 1.3220 (before attention turns to the 1.32 big figure), while resistance is at 1.3336.
- **Factors supporting**: Economic recovery, CNH strength
- **Factors against**: Risk aversion, potential deterioration in Singapore fundamentals

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