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Global Markets Research

Daily Market Highlights

29-Nov: Risk-off amid Covid variant fear

Massive selloff in global risk assets amid Omicron-related jitters

Volatility spiked the most since January

Global bond yields and USD retreated; crude oil plunged over 10%

Massive markets selloff globally amid new Covid variant fear:

- Global equities came under tremendous selling pressure last Friday as the surface of a new virus variant from South Africa, the Omicron, sparked fear of another virus wave and forced lockdown globally. Omicron is said to be five times more infectious than the Delta variant and confirmed cases have been reported in the UK, Germany, Italy, Netherlands, Australia, Hong Kong, just within three days after it made headlines globally. Some major countries were swift in issuing warning and travel restrictions, including the US, European Union, Japan and Australia. The three US stock benchmark indices fell over 2.0%, its biggest decline since February, while European equities plunged 3.0-4.0% earlier. Asian stocks also ended in the red with massive losses. The CBOE Volatility Index (VIX) jumped the most since January, by 53.9% d/d to 28.62 on Friday, from 18.58 a day ago.

- Flight to safety pushed government bond yields down across the globe. 10Y UST yields retreated sharply by 13bps to 1.51%, its lowest since 9-November. The 10Y German bunds shed 9bps to -0.34% and the UK gilts lost 14bps to 0.82%. Gold advanced a second straight day, although by a small 0.1% to $1785.50/ oz.

- The Dollar Index plummeted 0.7% to close near the intraday low at 96.09, from 96.79. This renewed weakness came on the back of massive gains in the EUR (+1.0%) and JPY (+1.7%). The sterling saw notably more modest appreciation of only 0.1% while the Aussie failed to reverse losses in a risk averse Asian trading. The Aussie fell 0.9% to 0.7123 level as at Friday's close.

- USD/MYR climbed higher for a 9th straight session, hitting an intraday high of 4.2485 before narrowing some gains to 4.2385 towards Friday's close. We are Neutral-to-Bullish on USD/MYR in the week ahead as markets continue to grapple with uncertainties surrounding the latest Omicron virus strain. That said, overbought position suggests some imminent pullback before further move higher. We therefore expect a range of 4.20-4.25.

- Global crude oil nosedived over 10% amid concerns over falling demand should Omicron quickly spread around the world and prompt reimposition of forced lockdown. Brent crude plummeted 11.6% to $72.72/ barrel, its lowest levels since mid-September, while WTI plunged 12.7% to $68.15/ barrel, falling below its 200-day moving average for the first time since Nov-2020. This latest variant-related uncertainties could hamper OPEC+'s plan to raise output come January next year.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	34,899.34	-2.53
S&P 500	4,594.62	-2.27
NASDAQ	15,491.66	-2.23
Stoxx 600	464.05	-3.67
FTSE 100	7,044.03	-3.64
Nikkei 225	28,751.62	-2.53
Hang Seng	24,080.52	-2.67
Straits Times	3,166.27	-1.71
KLCI 30	1,512.22	-0.35
FX		
Dollar Index	96.09	-0.71
EUR/USD	1.1317	0.96
GBP/USD	1.3337	0.11
USD/JPY	113.38	-1.72
AUD/USD	0.7123	-0.93
USD/CNH	6.3975	0.15
USD/MYR	4.2385	0.21
USD/SGD	1.3718	0.31
Commodities		
WTI ($/bbl)	68.15	-12.66
Brent ($/bbl)	72.72	-11.55
Gold ($/oz)	1,785.50	0.07

Source: Bloomberg, HLBB Global Markets Research

Australia retail sales bested estimates:

- Retail sales picked up to grow at a faster than expected pace of 4.9% m/m in October (Sept: +1.3% y/y), its best gain in nearly a year thanks to pent-up demand following the easing of movement restrictions. Growth was broad-based save for food (-0.5%), led by apparel and departmental stores. Economic reopening will likely continue to underpin retail sales going forward.

Malaysia CPI ticked up to 2.9% y/y in October:

- Headline Consumer Price Index (CPI) picked up further for a 2nd consecutive month to 2.9% y/y in October (Sept: +2.2% y/y), within market consensus estimates but below our projection for a 3.1% y/y increase. Sustained increases in food and transport prices, coupled with jump in electricity costs, were the main drivers pushing headline CPI print closer to the 3.0% handle. Core CPI inched slightly higher but remained very subdued at 0.7% y/y (Sept: +0.6% y/y) while services CPI stabilized at a historical low at least since 2006, at 0.4% y/y in October, reaffirming benign price pressure locally. Month-on-month, CPI rose 0.7% (Sept: +0.2%) as a result of the jump in electricity costs following the expiration of the tariff discounts. We expect headline CPI to pick up further in November before easing somewhat going into year end and first half of next year. This should bring full year 2021 CPI forecast to 2.5% before moderating in 2022.

Singapore industrial production rebounded strongly:

- Industrial production rebounded more than expected and grew 16.9% y/y in October, while September's contraction was revised to a smaller 2.2% y/y print. This suggests the decline in September was just a blip, taking the hit from the tighter controls in addition to supply disruption. While growth was broadly positive, the biomedical (+56.1% y/y), transport engineering (+35.3% y/y), and chemicals sector (+15.3% y/y) saw the most impressive growth. The positive trajectory is expected to continue well into 4Q, providing support to the Singapore economy..

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	0.70-0.72	0.72	0.71	0.71	0.70
USD/JPY	112-115	112	113	114	115
USD/MYR	4.20-4.25	4.15	4.15	4.15	4.15
USD/SGD	1.36-1.38	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%	0-0.25%	0-0.25%
ECB	-0.50	-0.50	-0.50	-0.50	-0.50
BOE	0.10	0.10	0.10	0.10	0.25
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
29/11	JP Retail Sales MoM (Oct)	2.8%
	MA Exports YoY (Oct)	24.7%
	EZ Economic Confidence (Nov)	118.6

	US Pending Home Sales MoM (Oct)	-2.3%
	US Dallas Fed Manf. Activity (Nov)	14.6
	VN CPI YoY (Nov)	1.77%
	VN Exports YoY (Nov)	0.3%
	VN Retail Sales YTD YoY (Nov)	-8.6%
	VN Industrial Production YoY (Nov)	-1.6%
30/11	JP Job-To-Applicant Ratio (Oct)	1.16
	JP Jobless Rate (Oct)	2.8%
	JP Industrial Production MoM (Oct P)	-5.4%
	NZ ANZ Business Confidence (Nov F)	-18.1
	CN Non-manufacturing PMI (Nov)	52.4
	CN Manufacturing PMI (Nov)	49.2
	HK Retail Sales Value YoY (Oct)	7.3%
	EZ CPI Estimate YoY (Nov)	4.1%
	US FHFA House Price Index MoM (Sep)	1.0%
	US S&P CoreLogic CS US HPI YoY NSA (Sep)	19.84%
	US MNI Chicago PMI (Nov)	68.4
	US Conf. Board Consumer Confidence (Nov)	113.8

Source: Bloomberg

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