30 November 2021

Global Markets Research
Daily Market Highlights

30-Nov: Steadier markets

US and European equities bounced back from prior selloffs
Demand for haven bids retreated as a sense of calm returns
Fed Chair Powell cautioned on risks to price stability and maximum employment

- US equities staged a rebound overnight, recovering partially from prior selloffs triggered by the Omicron variant concerns. The Dow rose 0.7% while the S&P500 and NASDAQ advanced 1.3% and 1.9% respectively. Earlier, European stocks also rebounded modestly but major Asian equity indices remained in the red. President Biden sought to calm markets, asking Americans not to panic over the new variant, while Fed Chair Powell said Omicron poses risks to price stability and maximum employment. Markets will scrutinize Powell's and Yellen's testimony before the Senate later tonight for more clues on the Fed's stance on the latest Covid variant and policy implications.

- A calmer market pared demand for safer government bonds. 10Y UST regained some footing, pushing yields up by 3bps to 1.50% on Monday, after having fallen 13bps on Friday. The 10Y bunds yields rose 2bps to -0.32% while the 10Y UK gilts climbed 4bps higher to 0.86%. Gold consolidated with a tiny 0.1% decline to $1784.20/ oz.

- The Dollar Index also saw modest gain as markets regained its posture, eking out a 0.1% increase to 96.18 on Monday's close. The USD traded mixed against the G10s, stronger vs the EUR, GBP and JPY but weaker against the commodity (AUD, NZD, CAD) and Nordic currencies (SEK, NOK).

- USD/MYR ended Monday trading flat at 4.2385, as markets digested the news on Omicron variant. The pair traded within a rather tight range of 4.2360-4.2440, on the back of cautious trading. We expect USD/MYR to maintain a neutral to slight bullish bias as the overall risk-off environment will continue to be USD supportive. Maintain our weekly USD/MYR range at 4.20-4.25.

- In line with the rebound in financial markets, global crude oil registered modest gains on Monday. Brent crude recovered 0.7% to $73.23/ barrel while WTI advanced 2.6% to $69.90/ barrel.

US pending home sales beat estimates but Dallas Fed manufacturing disappointed:

- Pending home sales rebounded more than expected and increased 7.5% m/m in October (Sept: -2.4% revised), as sales rebounded across all geographical regions during the month. This added to the recent mixed signals on the US housing market which is clouded by tight supply and rising construction costs.
- On the contrary, Dallas Fed manufacturing staged a surprised pullback to 11.8 in November (Oct: 14.6), mainly dragged by less optimistic company outlook and unfilled orders signalling supply limitations. This offset increases in other categories including production and new orders.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	35,135.94	0.68
S&P 500	4,655.27	1.32
NASDAQ	15,782.83	1.88
Stoxx 600	467.24	0.69
FTSE 100	7,109.95	0.94
Nikkei 225	28,283.92	-1.63
Hang Seng	23,852.24	-0.95
Straits Times	3,120.58	-1.44
KLCI 30	1,510.57	-0.11
FX		
Dollar Index	96.18	0.09
EUR/USD	1.1291	-0.23
GBP/USD	1.3315	-0.16
USD/JPY	113.53	0.13
AUD/USD	0.7143	0.28
USD/CNH	6.3865	-0.17
USD/MYR	4.2385	0.00
USD/SGD	1.3685	-0.24
Commodities		
WTI ($/bbl)	69.90	2.57
Brent ($/bbl)	73.23	0.70
Gold ($/oz)	1,784.20	-0.07

Source: Bloomberg, HLBB Global Markets Research

Eurozone confidence remained soft:

- Overall confidence levels in the Eurozone stayed on the softer side as the region faces another round of recurring virus wave. Consumer confidence deteriorated to -6.8 in November (Oct: -4.8), its worst since April. Overall economic confidence pulled back to 117.5 (Oct: 118.6), as softer confidence in the manufacturing and the consumer sectors overshadowed better confidence in the services, retail and construction sectors.

Mixed data bag in Japan:

- Retail sales continued to expand albeit at a slower than expected pace of 0.9% m/m in October (Sept: +2.8% revised). Sales were underpinned by continuous increase in general merchandise, apparel & accessories, food & beverages as the economy reopened, while motor vehicles were the only segment that registered a decline. YOY, sales rebounded with a 0.9% y/y increase (Sept: -0.5% revised).
- Jobless rate unexpectedly inched lower to 2.7% in October (Sept: 2.9%), its lowest since April last year as the number of unemployed fell 70k during the month.
- Industrial production rebounded albeit less than expected by 1.1% m/m in October (Sept: -5.4%), boosted by a turnaround in production of durable consumer goods (+22.6% vs -28.6% m/m), as well as a pick-up in non-durable consumer goods (+1.4% vs +0.5%). Production of capital and construction goods continued to contract. YOY, overall industrial production extended its decline for a 2nd straight month, falling 4.7% y/y in October (Sept: -2.3%), hinting at a drag on GDP performance going into 4Q.

Malaysia exports sustained a 25.5% y/y growth in October:

- Exports registered faster growth for the 3rd straight month in October, expanding by 25.5% y/y (Sept: +24.7% y/y) as continuous recovery in global demand and economic reopening in Malaysia spurred shipment. Shipment to the top three export markets saw extended gains albeit at varying pace. Imports also reported quicker gains of 27.9% y/y in October (Sept: +26.5%), thanks to broad-based gains in imports of consumption, capital as well as intermediate goods, suggesting improvement in both external and domestic demand.
- The growth momentum, while remained positive, has dwindled on a month-on-month basis, to 3.2% m/m (exports) and 4.1% m/m (imports), sharply lower from +16.0% and +14.2% m/m respectively in September. Trade surplus remained elevated at RM26.2bn nonetheless, and was up 17.9% y/y.
- Looking ahead, international trade and overall economic outlook remain uncertain although exports numbers will likely be supported at double-digit pace by locked-in orders and year end seasonal demand in the next two months.

Vietnam's November data painted a mixed picture:

- As the Vietnamese economy grappled with rapidly surging daily covid cases, retail sales took the brunt witnessing a 8.7% y/y contraction year-to-date November (Oct YTD: -8.6%) implying weaker sales in the month of November.
- On the other hand, exports growth quickened to 18.5% y/y in November amid improvement in most sectors while imports also surged 20.8% y/y (Oct: +20.8%).
- In line with improving exports demand, industrial production rebounded and increased 5.6% y/y in November (Oct: -1.6%), as turnarounds in mining and manufacturing far outweighed slower growth in utilities.
- Growth outlook ahead will hinge on success of the pandemic containment, which remains highly patchy in our view. In a separate release, CPI accelerated more than expected to 2.1% y/y in November (Oct: +1.8%), shored up by higher inflation in all key product categories, except food/ food stuff that experienced a decline during the month. Core CPI picked up at a more modest pace from 0.5% to 0.58%, pointing to little price pressure in the system.

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
30/11	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
1/12	AU GDP SA QoQ (3Q)	0.70%
	VN Markit Vietnam PMI Mfg (Nov)	52.1
	MA Markit Malaysia PMI Mfg (Nov)	52.2
	JP Jibun Bank Japan PMI Mfg (Nov F)	--
	CN Caixin China PMI Mfg (Nov)	50.6
	EZ Markit Eurozone Manufacturing PMI (Nov F)	--
	UK Markit UK PMI Manufacturing SA (Nov F)	--
	US MBA Mortgage Applications (26 Nov)	--
	US ADP Employment Change (Nov)	571k
	US Markit US Manufacturing PMI (Nov F)	--
	US Construction Spending MoM (Oct)	-0.5%
	US ISM Manufacturing (Nov)	60.8

Source: Bloomberg

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