30 December 2021

Global Markets Research

Daily Market Highlights

30-Dec: Dollar slumped ahead of year end

S&P 500, Dow Jones rose to fresh highs amid thin trading volume

Dollar weakened against the G10 basket; treasury yields climbed

US goods trade deficit reached new record of $97.8b

- The S&P 500 (+0.1%) and Dow Jones (+0.3%) advanced to record high levels overnight as trading volume remained lighter than usual in the final days of 2021. The tech-heavy NASDAQ index lost 0.1% as investors continued to rotate out of the tech sector.

- US treasury yields rose overnight as the market monitors the Omicron headlines, driven by longer-dated bonds. The yield on the benchmark 10Y UST gained 6.9bps to 1.55%. In the FX market, the USD weakened against all G10 currencies except the JPY. The GBP was the top winner in the G10 basket. The dollar index closed 0.3% lower at 95.91, losing the 96.0 mark.

- Earlier, USD/MYR finished Wednesday's session unchanged at 4.1805. We are neutral to slightly bearish on USD/MYR today, following the selloff in USD selloff overnight; a breach of the 4.1800 support level may lead the pair to 4.1745 next, before targeting 4.1670.

- Gold futures slipped 0.3% to $1805.10/oz. Crude oil prices benefitted further from positive stockpiles news. Both the API and EIA reported draws of crude inventories. Brent crude rose for the third consecutive session, adding 0.4% to $79.23/barrel while WTI climbed 0.8% to $76.56/barrel.

US goods trade deficit hit record high in November:

- The US international goods trade deficit rose to a record high of $97.8b in November, from $83.2b in October. This reflects the 2.1% m/m decline in exports and 4.7% m/m gain in imports, suggesting that net exports may remain a drag on US GDP this quarter. Imports climbed alongside the wholesale (+1.2% m/m) and retail (+2.0% m/m) inventories as firms strove to fulfil the robust consumer demand in the US ahead of the holidays season.
- Pending home sales dropped 2.2% m/m in November, after the sharp 7.5% increase in October. The reading missed the consensus estimate of 0.8%. The index tracks the number of real estate contracts signed for existing home sales and November print suggests some cooling housing activities towards the year end.

Vietnam's GDP growth eased to 2.6% y/y in 2021:

- Vietnam's GDP growth rebounded to 5.2% y/y in the fourth quarter of 2021 (3Q: -6.2%), besting the consensus estimate of 3.9%. For the full year of 2021, GDP growth slowed to 2.6% y/y, further down from 2.9% in 2020 and marked its weakest annual growth rate on record dated back to 1990, reflecting headwinds from the prolonged lockdown imposed by the government.
- Higher frequency indicators showed improvement. Industrial production rose for the fourth consecutive month in December (+3.5% m/m and +8.7% y/y),

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	36,488.63	0.25
S&P 500	4,793.06	0.14
NASDAQ	15,766.22	-0.10
Stoxx 600	487.98	-0.11
FTSE 100	7,420.69	0.66
Nikkei 225	28,906.88	-0.56
Hang Seng	23,086.54	-0.83
Straits Times	3,138.02	0.31
KLCI 30	1,545.04	0.33
FX		
Dollar Index	95.93	-0.28
EUR/USD	1.1349	0.34
GBP/USD	1.3490	0.42
USD/JPY	114.95	0.11
AUD/USD	0.7250	0.29
USD/CNH	6.3711	-0.05
USD/MYR	4.1805	0.00
USD/SGD	1.3523	-0.13
Commodities		
WTI ($/bbl)	76.56	0.76
Brent ($/bbl)	79.23	0.37
Gold ($/oz)	1,805.10	-0.28

Source: Bloomberg, HLBB Global Markets Research alongside the higher exports (+8.3% m/m and +24.8% y/y). Retail sales rebounded by 4.6% m/m but recorded a y/y decline of 14.6% y/y on higher base effect. Nonetheless, the continuously softer consumer inflation rate (down to 1.8% y/y in December, from 2.1% previously) implies weak underlying demand.

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
30/12	US Initial Jobless Claims (25 Dec)	205k
	US MNI Chicago PMI (Dec)	61.8
31/12	CN Non-manufacturing PMI (Dec)	52.3
	CN Manufacturing PMI (Dec)	50.1

Source: Bloomberg

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