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Global Markets Research

Daily Market Highlights

03-Jan: Equities, oil & USD emerged as 2021 winners

US stocks closed out 2021 with strong gains

Oil prices rallied on supply mismatch

Dollar strengthened as Fed normalised policy

- US stocks ended modestly lower on the last day of 2021, attributed to year-end positioning moves while trading volume remained light. The Dow Jones shed 0.2%, the S&P 500 lost 0.3% and NASDAQ suffered a larger decline of 0.6%. Nonetheless, all three benchmarks registered their third consecutive annual growth with strong gains, powered by the global economic recovery, the rollout of Covid-19 vaccines, not to mention the ultra-low interest rates. For the year, the S&P 500 outperformed with a 26.9% increase, followed by NASDAQ (+21.4%) and Dow Jones (+18.7%).
- US treasury yields traded on a mixed note on the shortened trading Friday. Yields on the front-to-medium end traded little changed while the longer-end yields closed slightly lower. The yield on the benchmark 10Y UST stayed at 1.51%, representing a nearly 60-bp climb from 0.92% in 2020.
- The USD generally weakened on the last day of 2021. The dollar index closed 0.3% lower at 95.7 but registered a yearly advance of 6.4% (following the 6.7% y/y decline in 2020), supported by strong US economic recovery and expectations that the Fed would normalise its monetary policy.
- USD/MYR slumped further by 0.3% to 4.1660, its weakest level since mid-November as some year-end window dressing activities helped prop up the local currency. For the full year of 2021, USD/MYR recorded a gain of 3.6%, snapping a two-year losing streak. After breaching the support of 4.1700 last week, USD/MYR remains biased to the downside at the start of the near year, taking into account further down moves in the broader USD this morning; the immediate support is at 4.1600.
- In the commodity space, gold futures rose 0.8% to \$1828.6/oz but posted an annual decline of 3.5% despite the elevated global inflation. Spot prices were also down by 3.6% to \$1829.2/oz, compared to a year ago.
- Crude oil prices tumbled on Friday amid some profit taking activity. Brent crude dipped 1.9% to \$77.78/barrel while WTI slashed 2.3% to \$75.21/barrel. Brent and WTI closed out the volatile year 50% and 55% higher, driven by the global supply mismatch.

China's PMIs highlights underlying weaknesses:

- China's official NBS Composite PMI stayed unchanged at 52.2 in December, implying steady but modest economic growth. The manufacturing PMI was little changed at 50.3 (from 50.1 prior). The breakdown showed that output growth weakened (still above 50) while the majority of the sub-indexes such as new

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	36,338.30	-0.16
S&P 500	4,766.18	-0.26
NASDAQ	15,644.97	-0.61
Stoxx 600	487.80	-0.19
FTSE 100	7,384.54	-0.25
Nikkei 225	28,791.71	-0.40
Hang Seng	23,397.67	1.24
Straits Times	3,123.68	-0.09
KLCI 30	1,567.53	1.55
FX		
Dollar Index	95.67	-0.31
EUR/USD	1.1370	0.40
GBP/USD	1.3532	0.24
USD/JPY	115.08	0.00
AUD/USD	0.7263	0.10
USD/CNH	6.3570	-0.29
USD/MYR	4.1660	-0.28
USD/SGD	1.3490	-0.25
Commodities		
WTI (\$/bbl)	75.21	-2.31
Brent (\$/bbl)	77.78	-1.94
Gold (\$/oz)	1,828.60	0.80

Source: Bloomberg, HLBB Global Markets Research

orders, employment and suppliers' delivery time stayed below the 50-line, underlying weak conditions.

- Meanwhile, the non-manufacturing PMI ticked up slightly to 52.7 (Nov: 52.3), supported by stronger business expectations. Other key sub-indexes registered below-50 readings as the services sector still faces challenges related to Covid-19.

Singapore's 2021 GDP growth rebounded to 7.2%:

- Singapore's GDP expanded by 2.6% q/q in the fourth quarter of 2021 (3Q: +1.2%) according to the advance reading following the further relaxation of Covid-19 restrictions in the country. This translates to a y/y growth rate of 5.9% for the fourth quarter (3Q: +7.1%), supported primarily by the step-up in manufacturing sector growth (+14.0% vs +7.9% prior) as both services (+4.6% vs 6.2% prior) and construction (+2.0% vs +66.3%) slowed down. For the full year of 2021, GDP growth turned around to 7.2%; this followed the pandemic driven contraction of 5.4% in 2020.

House View and Forecasts

FX	This Week	4Q-21	1Q-22	2Q-22	3Q-22
DX	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	1.33-1.36	1.35	1.35	1.34	1.33
AUD/USD	0.71- 0.74	0.72	0.71	0.71	0.70
USD/JPY	114-116	112	113	114	115
USD/MYR	4.15-4.19	4.15	4.15	4.15	4.15
USD/SGD	1.33-1.35	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
03/01	MA Markit Malaysia PMI Mfg (Dec)	52.3
	HK Retail Sales Value YoY (Nov)	12.0%
	EZ Markit Eurozone Manufacturing PMI (Dec F)	58.0
	US Markit US Manufacturing PMI (Dec F)	57.8
	US Construction Spending MoM (Nov)	0.2%
04/01	VN Markit Vietnam PMI Mfg (Dec)	52.2
	JP Jibun Bank Japan PMI Mfg (Dec F)	54.2
	CN Caixin China PMI Mfg (Dec)	49.9
	UK Markit UK PMI Manufacturing SA (Dec F)	57.6
	SG Purchasing Managers Index (Dec)	50.6
	US ISM Manufacturing (Dec)	61.1
	US JOLTS Job Openings (Nov)	11033k

Source: Bloomberg

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