

Global Markets Research
Daily Market Highlights

07-Jan: Supply chain pressures eased in US

Selloff in US stocks and treasuries extended to Thursday

Dollar strengthened against most G10 currencies

US ISM services index pulled back; trade deficit widened on record high imports

- Investors continued to sell US stocks on Thursday following the release of a hawkish FOMC minute that signalled an earlier than anticipated rate hike by the Fed this year. The Dow Jones shed another 0.5% while the S&P 500 and NASDAQ both declined modestly by 0.1%. Among the S&P 500, gains in energy and financials shares were offset by the selloff in materials, healthcare and utilities.
- In the bond market, short-to-medium term yields continued to pick up as rate hike expectations climbed. The yield on the benchmark 10Y UST rose 1.6bps to 1.72%. The USD strengthened against most G10 currencies except the JPY and CAD. The selloff in AUD intensified leaving the currency to be the major loser in the G10 basket, followed by NZD. This came as Australia reported a record high number of new Covid infections (above 75k) on Wednesday. The dollar index rose 0.2% to 96.32.
- USD/MYR advanced for the fourth consecutive session (+0.5%) to 4.2140. Expectation of a faster than expected Fed rate is likely supporting the pair today with the bulls now eyeing 4.2200 after breaching 4.2000 and 4.2100 in a single session. Focus now shifts to tonight's NFP job report that may further stoke the rate hike expectations, resulting in a stronger USD. Having said that, the pre-weekend cautiousness may keep the pair grounded at recent levels.
- In the commodity market, gold futures slumped nearly 2.0% to \$1789.20/oz amid the stronger USD and some profit taking activity. Crude oil prices climbed for the fourth day in a row after the EIA reported 2.1 barrels of crude withdrawal last week and investors continued to rejoice over the OPEC+'s recent decision to retain its output plan. Brent crude surged 1.5% to \$81.99/barrel and WTI rallied by 2.1% to \$79.46/barrel.

Supply chain pressures eased in US services sector; wider trade deficit:

- The US services sector continued to grow at the end of 2021 albeit at a more modest rate as the Omicron variant spread across the country. The ISM Services Index pulled back sharply to 62.0 in December, a 7.1-point decline from 69.1 in November, reflecting a broad-based slowdown across output, new orders, new exports orders as well as employment. Notably, the supply chain deliveries index shed nearly 12pts, indicating an easing in the widespread supply chain constraints.
- Initial jobless claims remained historically low at 207k for the week ended 1 January, although slightly higher than the previous week reading of 200k.
- US factory orders rose 1.6% m/m in November, beating the 1.5% consensus forecast; October's orders were revised higher to reflect a 1.2% m/m growth. Headline factory orders continued to display a solid uptrend, highlighting the strength of the manufacturing sector. The narrower gauge of durable goods

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	36,236.47	-0.47
S&P 500	4,696.05	-0.10
NASDAQ	15,080.87	-0.13
Stoxx 600	488.16	-1.25
FTSE 100	7,450.37	-0.88
Nikkei 225	28,487.87	-2.88
Hang Seng	23,072.86	0.72
Straits Times	3,184.30	0.66
KLCI 30	1,533.36	-0.94
FX		
Dollar Index	96.32	0.15
EUR/USD	1.1297	-0.15
GBP/USD	1.3532	-0.18
USD/JPY	115.83	-0.24
AUD/USD	0.7162	-0.82
USD/CNH	6.3944	0.30
USD/MYR	4.2140	0.47
USD/SGD	1.3608	0.23
Commodities		
WTI (\$/bbl)	79.46	2.07
Brent (\$/bbl)	81.99	1.47
Gold (\$/oz)	1,789.20	-1.97

Source: Bloomberg, HLBB Global Markets Research

orders rose 1.6% m/m (Oct: +0.1%) while the core capital orders were flat (+0.0% vs -0.1% prior).

- The US trade deficit widened to \$80.2b in November (Oct: -\$67.2b). This was driven by the 4.6% m/m surge in imports to a record high that month to \$304.4b thanks to a continuously strong dollar and robust US consumer demand. Exports also climbed to an all-time high of \$224.2b but by a smaller rate of 0.2% m/m.

Services sector growth slowed in UK & Japan; improved in China:

- The UK Markit services PMI fell sharply to 53.6 in December, from 58.5 in November, as the services sector output growth declined to a ten-month low amid the spread of the Omicron variant in the UK.
- Japan Jibun Bank services PMI fell to 52.1 in December (Nov: 53.0), signalling a modest activity expansion but overall demand continued to rise as the pandemic restrictions were eased.
- China's Caixin services PMI rose to 53.1 in December (Nov: 52.1), in line with the concurrent improvement in the official NBS PMI that indicates a stronger rise in services activity at the end of last year.

Japan's household spending slumped in November; earnings flat:

- Japan's household spending fell 1.3% y/y in November (Oct: -0.6%), defying the consensus call for a 1.2% growth. This reflects the 1.2% m/m pullback in spending following the strong growth in the previous two months (Oct: +3.4%).
- The labour cash earnings were unchanged on a y/y basis in November (Oct: +0.2%) as the decline in bonus payment offset the slightly higher gain (+0.3% y/y) in regular pay. On a month-on-month basis, earnings rose 3.4% (Oct: +0.4%), as the economic reopening helped boost income.

House View and Forecasts

FX	This Week	1Q-22	2Q-22	3Q-22	4Q-22
DXY	95-97	96.15	96.40	96.30	96.30
EUR/USD	1.12-1.14	1.13	1.12	1.12	1.13
GBP/USD	1.33-1.36	1.34	1.33	1.35	1.36
AUD/USD	0.71-0.74	0.72	0.72	0.74	0.75
USD/JPY	114-116	115	116	115	114
USD/MYR	4.16-4.22	4.17	4.15	4.15	4.10
USD/SGD	1.33-1.36	1.35	1.34	1.34	1.33

Policy Rate %	Current	1Q-22	2Q-22	3Q-22	4Q-22
Fed	0-0.25%	0-0.25	0.25-0.50	0.50-0.75	0.75-1.00
ECB	-0.50	-0.50	-0.50	-0.50	-0.50
BOE	0.25	0.25	0.50	0.50	0.75
RBA	0.10	0.10	0.10	0.10	0.25
BOJ	-0.10	-0.10	-0.10	-0.10	-0.10
BNM	1.75	1.75	1.75	1.75	2.00

Source: HLBB Global Markets Research

Up Next

Date	Events	Prior
07/01	MA Foreign Reserves (31 Dec)	\$116.3b
	EZ Retail Sales MoM (Nov)	0.2%
	EZ CPI Estimate YoY (Dec)	4.9%
	EZ Economic Confidence (Dec)	117.5
	US Change in Nonfarm Payrolls (Dec)	210k
	US Unemployment Rate (Dec)	4.2%
	US Average Hourly Earnings YoY (Dec)	4.8%
	10/01	MA Industrial Production YoY (Nov)
10/01	EC Sentix Investor Confidence (Jan)	0.0
	EC Unemployment Rate (Nov)	7.3%

Source: Bloomberg

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