

10 January 2022

## Global Markets Research

### Daily Market Highlights

# 07-Jan: US hiring slowed in December

**US economy added only 199k jobs in the last month of 2021**

**S&P 500, NASDAQ pressured by selloff in tech shares**

**Treasury yields climbed; USD slumped against G10 basket**

- US stocks plunged in response to the weaker than expected job report on Friday. The Dow Jones remained fairly resilient, closing virtually unchanged (-0.01%) from the prior session whereas the broader S&P 500 shed 0.4% alongside the nearly 1% dip in the tech-focus NASDAQ index. All three indexes closed out the first week of 2022 lower, driven primarily by the Fed rate hike expectations. The selloff in tech shares resulted in NASDAQ losing 4.5% w/w, whereas the S&P 500 (-1.9% w/w) and Dow (-0.3% w/w) recorded more modest declines.
- Treasury yields rose further on Friday, unfettered by the disappointing job data as the Fed remains on track to conclude its asset purchase program and potentially raise rates in the first quarter. The yield on the benchmark 10Y UST rose 4.1bps to 1.76%, 25bps higher compared to a week ago. The yield curve bear-steepened.
- The USD was pressured across the board by the weaker job report. All G10 currencies strengthened against the greenback, led by the Scandinavian currencies. The dollar index plummeted by 0.6% to 95.72 on Friday but the choppy trading throughout the week left the index little changed (+0.05% w/w) on a weekly basis.
- USD/MYR snapped a four-day winning streak to close 0.1% lower at 4.2085 on Friday. The pair advanced by 1.0% for the week, recovering partial losses from the last two weeks of 2021. In the week ahead, we are bullish on USD/MYR, supported by a sustained USD strength, eyeing a range of 4.1800-4.2300.
- In the commodity market, gold futures rebounded by 0.5% to \$1797.4/oz as the USD fell. The bullion, however, broke a four-week gaining streak to close 1.7% lower last week. Crude oil prices consolidated recent gains on Friday after having advanced for four sessions in a row, as the OPEC+ said it would stick to the original plan of increasing output by 400k bpd starting February. Brent crude closed 0.3% lower at \$81.75/barrel and locked in an impressive 5.1% w/w gain. Similarly, WTI fell 0.7% on Friday to \$78.90/barrel and picked up 4.9% w/w.

#### Key Market Metrics

	Level	d/d (%)
<b>Equities</b>		
Dow Jones	36,231.66	-0.01
S&P 500	4,677.03	-0.41
NASDAQ	14,935.90	-0.96
Stoxx 600	486.25	-0.39
FTSE 100	7,485.28	0.47
Nikkei 225	28,478.56	-0.03
Hang Seng	23,493.38	1.82
Straits Times	3,205.26	0.66
KLCI 30	1,543.11	0.64
<b>FX</b>		
Dollar Index	95.72	-0.62
EUR/USD	1.1360	0.56
GBP/USD	1.3588	0.41
USD/JPY	115.56	-0.23
AUD/USD	0.7181	0.27
USD/CNH	6.3829	-0.18
USD/MYR	4.2085	-0.13
USD/SGD	1.3557	-0.37
<b>Commodities</b>		
WTI (\$/bbl)	78.90	-0.70
Brent (\$/bbl)	81.75	-0.29
Gold (\$/oz)	1,797.40	0.46

Source: Bloomberg, HLBB Global Markets Research

#### US hiring slowed in last month of 2021; wages jumped:

- The US labour department reported that nonfarm payrolls rose by 199k in December (Nov: +249k), missing the upbeat consensus forecast of 450k. Job numbers were revised higher in the previous two months to reflect a net gain of 141k. In 2021, the total job gains amounted to 6.45million, and so far the US economy has recovered around 84% of the job losses in the period of March-April 2020 at the onset of the global pandemic.
- In December, job growth remained concentrated in the private services sector with employment continuing to trend up in leisure & hospitality, professional &

business services, manufacturing, in construction, and in transportation & warehousing.

- The unemployment rate fell to 3.9% in December, lower than the consensus estimate of 4.1%. The participation rate was unchanged at 61.9%.
- The average hourly earnings rose 0.6% m/m in December, accelerating from the 0.4% m/m growth in November. This resulted in a 4.7% y/y growth, lower than 5.1% prior, nonetheless confirming the uptrend in wage growth.

#### **Eurozone's retail sales turned out positive; inflation at record high:**

- The Eurozone's retail sales defied expectations (-0.5% m/m) to increase 1.0% m/m in November as consumers brought forward holiday shopping prior to the Omicron outbreak, in anticipation of festivity-related shortages. This was also accompanied by an upward revision to October's number (+0.3% m/m). Compared to last year, retail sales were higher by 7.8% (Oct: +1.7%).
- Meanwhile, inflation continued to surge in the region, in line with the worldwide gain in price pressure. The HICP inflation rate steadied at 0.4% m/m in December (Nov: +0.4%) but picked up to a record high of 5.0% y/y (Nov: +4.9%). The underlying inflation, gauged by the core HICP index remained at the series' record high of 2.6% y/y.
- The European Commission Economic Sentiment Index slipped to 115.3 in December (Nov: 117.6) as confidence was battered by the Omicron wave in Europe that triggered worries of lockdowns.

#### **Malaysia's foreign reserves at \$116.9b:**

- Malaysia's international reserves rose to \$116.9b as at 31 December, up from \$116.3b previously. The reserves are sufficient to finance 7.7 months of retained imports and are 1.2 times short-term external debt. For the full year of 2021, foreign reserves rose by 8.6% to \$116.9b, reflecting a stronger US dollar.

### **House View and Forecasts**

<b>FX</b>	<b>This Week</b>	<b>1Q-22</b>	<b>2Q-22</b>	<b>3Q-22</b>	<b>4Q-22</b>
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	1.34-1.35	1.34	1.33	1.35	1.36
AUD/USD	0.70- 0.72	0.72	0.72	0.74	0.75
USD/JPY	115-116	115	116	115	114
USD/MYR	4.18-4.23	4.17	4.15	4.15	4.10
USD/SGD	1.35-1.37	1.35	1.34	1.34	1.33

<b>Policy Rate %</b>	<b>Current</b>	<b>1Q-22</b>	<b>2Q-22</b>	<b>3Q-22</b>	<b>4Q-22</b>
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**

<b>Date</b>	<b>Events</b>	<b>Prior</b>
10/01	MA Industrial Production YoY (Nov)	5.5%
	EC Sentix Investor Confidence (Jan)	0.0
	EC Unemployment Rate (Nov)	7.3%
11/01	AU Exports MoM (Nov)	-3.0%
	AU Retail Sales MoM (Nov)	4.9%
	US NFIB Small Business Optimism (Dec)	98.4

Source: Bloomberg

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