

11 January 2022

Global Markets Research
Daily Market Highlights

11-Jan: Fed rate hike expectations dominated

US equities narrowed losses; NASDAQ closed marginally higher

Yield curve flattened; USD gained as markets priced in aggressive Fed rate hikes

Oil prices slumped on renewed demand fear

- US stocks pulled off an impressive afternoon rebound from the early morning dip. The Dow Jones partially erased the intraday losses of over 500pts, ending 163pts or 0.5% lower on Monday. The broader S&P 500 fell 0.1% while NASDAQ managed to return to previous session's level, closing marginally higher (+0.05%).
- The yield curve flattened on Monday as the front-end yields picked up further amid the growing rate hike expectations. The yield on the benchmark 2Y treasury note rose 3.2bps to 0.89% while the 10Y UST yield was little changed (-0.2bps) at 1.76%. The market has now priced in an 80% chance of a 25-basis-point hike in the fed funds rate on 16 March, during which the Federal Reserve concludes its second FOMC meeting of the year.
- The dollar regained footing and strengthened against all G10 currencies except the safe haven JPY. The CHF was the worst performing currency (-0.9%) in the G10 basket as data suggests that the SNB might have intervened in the FX market to weaken the Swiss Franc last week. The dollar index rose 0.3% to near 96.0.
- USD/MYR fell 0.2% to 4.2005 on Monday against a backdrop of cautious sentiment. The renewed USD strength points to potential up moves in the pair today, in line with our bullish view on the USD/MYR this week as the Fed is expected to move more aggressively at normalising its policy. We continue to eye a weekly range of 4.1800-4.2300.
- Gold futures closed at \$1798.80 (+0.08%). Crude oil prices were weighed down by renewed demand fear as developed economies continued to report high Covid-19 cases while China tightened restrictions on the northern city of Tianjin. Brent crude plunged 1.1% to \$80.87/barrel while WTI shed 0.9% to \$78.23/barrel.
- Fed Vice Chair Richard Clarida said he would resign from the central bank this coming Friday as his newly disclosed additional stock sales during the start of the global pandemic prompted scrutiny. Clarida's term on the Federal Reserve's board expires at the end of this month.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	36,068.87	-0.45
S&P 500	4,670.29	-0.14
NASDAQ	14,942.83	0.05
Stoxx 600	479.04	-1.48
FTSE 100	7,445.25	-0.53
Nikkei 225	28,478.56	-0.03
Hang Seng	23,746.54	1.08
Straits Times	3,227.05	0.68
KLCI 30	1,550.17	0.46
FX		
Dollar Index	95.99	0.28
EUR/USD	1.1326	-0.30
GBP/USD	1.3577	-0.08
USD/JPY	115.20	-0.31
AUD/USD	0.7170	-0.15
USD/CNH	6.3806	-0.04
USD/MYR	4.2005	-0.19
USD/SGD	1.3564	0.05
Commodities		
WTI (\$/bbl)	78.23	-0.85
Brent (\$/bbl)	80.87	-1.08
Gold (\$/oz)	1,798.80	0.08

Source: Bloomberg, HLBB Global Markets Research

Eurozone's unemployment nearing record low:

- The Eurozone's unemployment rate fell further to 7.2% in November, from 7.3% in the previous month. The reading matched the consensus estimate and is nearing the series' record low of 7.1% (in March 2020, at the beginning of the global pandemic), highlighting the robust hiring activity in the region.
- The Sentix Investor Confidence Index rose to 14.9 in January, from 13.5 in December, reflecting improved reading in the current situation index (+3pts) despite the sharp surge in the Covid-19 cases in the region.

Malaysia's IPI rose in November:

- Malaysia's industrial production growth up picked up further to 9.4% y/y in November (Oct: +5.5%), spurred by the improvement across the board, spanning from the manufacturing (+11.3% y/y) to mining (+3.7%) and electricity (+5.1%) sectors as economic activities continued to gain traction after the economic reopening in October, that was further reinforced by favourable external demand.

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	1.34-1.35	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

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
11/01	AU Exports MoM (Nov)	-3.0%
	AU Retail Sales MoM (Nov)	4.9%
	US NFIB Small Business Optimism (Dec)	98.4
12/01	CH PPI YoY (Dec)	12.9%
	CH CPI YoY (Dec)	2.3%
	EC Industrial Production SA MoM (Nov)	1.1%
	US MBA Mortgage Applications (07 Jan)	-5.6%
	US CPI YoY (Dec)	6.8%

Source: Bloomberg

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