

12 January 2022

**Global Markets Research**
**Daily Market Highlights**

# 12-Jan: Powell reaffirmed Fed's policy normalisation

**Powell assured markets Fed would fight elevated inflation at confirmation hearing**

**US equities, oil prices jumped on renewed risk sentiment**

**Dollar, treasury yields dropped; Markets eye US CPI**

- US equities closed higher overnight, led by the gains in technology shares after Fed Chair Jerome Powell reaffirmed the central bank's determination to combat the elevated inflation during his Senate confirmation hearing. The tech-focus NASDAQ index outperformed among the US main benchmarks, rising 1.4% in a single session; the broader S&P 500 advanced 0.9% while the Dow rose 0.5%.
- Powell is expected to win the confirmation to a second term after being re-nominated by President Biden in November. He said that it is "really time" for the central bank to move away from emergency pandemic settings as the economy no longer needs aggressive stimulus but added that "it's a long road to normal" policy. Powell was hopeful that the supply chain constraints will ease this year but also signalled that the Fed would not hesitate to "raise interest rates more over time" if inflation is persisting at high levels for longer than expected.
- Treasury yields fell modestly after climbing for days as Powell's remarks were interpreted as not overly hawkish. The yield on the benchmark 10Y UST edged lower by 2.5bps to 1.74%. The US dollar weakened alongside the lower yields where the USD was seen falling against all G10 currencies except the JPY. CAD, NOK and SEK were the major winners. The dollar index shed 0.4% to 95.62.
- USD/MYR slipped for the third consecutive session (-0.2%) to 4.1905 on Tuesday as the USD strength faded. The broad-based decline in USD is expected to continue supporting the MYR, thus weighing on the pair in the short term, with support at 4.1800.
- In the commodity market, gold prices benefited from the weak dollar, rising by 1.1% to \$1818.50/oz after trading on a flat note for two sessions. Crude oil prices pulled off a massive rebound amid the renewal in risk sentiment, more than recovering their recent losses; Brent crude jumped 3.5% to \$83.72/barrel while the US WTI surged 3.8% to \$81.22/barrel.
- Focus shifts to the US CPI reading due tonight. A Bloomberg survey showed that economists are expecting the headline CPI to rise 7.0% y/y in December after the 6.8% y/y rate in November. The core reading is also expected to accelerate to 5.4% y/y, from 4.9% prior.

**Key Market Metrics**

	Level	d/d (%)
<b>Equities</b>		
Dow Jones	36,252.02	0.51
S&P 500	4,713.07	0.92
NASDAQ	15,153.45	1.41
Stoxx 600	483.08	0.84
FTSE 100	7,491.37	0.62
Nikkei 225	28,222.48	-0.90
Hang Seng	23,739.06	-0.03
Straits Times	3,246.37	0.60
KLCI 30	1,564.29	0.91
<b>FX</b>		
Dollar Index	95.62	-0.38
EUR/USD	1.1367	0.36
GBP/USD	1.3635	0.43
USD/JPY	115.30	0.09
AUD/USD	0.7210	0.56
USD/CNH	6.3774	-0.05
USD/MYR	4.1905	-0.24
USD/SGD	1.3505	-0.43
<b>Commodities</b>		
WTI (\$/bbl)	81.22	3.82
Brent (\$/bbl)	83.72	3.52
Gold (\$/oz)	1,818.50	1.10

Source: Bloomberg, HLBB Global Markets Research

**US small business sentiment improved in December:**

- The NFIB Small Business Optimism Index rose to 98.9 in December, from 98.4 previously, indicating that small business owners turned more positive over business conditions. According to the survey, a higher percentage of businesses said that they planned to hire more but many also lamented the inability to fill vacant positions, highlighting the current labour shortages challenge in the

economy. More businesses said that it was a good time to expand and planned to increase capital spending. The percentage of firms expecting a better economy turned less negative (from -38% to -35%).

#### Australia's retail sales jumped to record high in November:

- Australia's retail sales rose 7.3% m/m in November (Oct: +4.9%), better than the consensus estimate of 3.6% m/m and marked its best growth rate since May 2020. Total sales also amounted to a record high of AUD 33.4b in that month as the pent-up demand coincided with festivity-related shopping after the state of Victoria ended its lockdown in late October. Sales recorded sharp increases across all categories, driven by household goods, apparels, department store goods as well as "other" retailing.
- In a separate note, Australia's trade surplus narrowed to AUD9.42b, from AUD10.78b previously as import growth surged to 6.0% m/m in November (Oct: -2.0%). Exports also rebounded with a 2% m/m gain (Oct: -3.0%) but shipments to China continue to fall (-4.5% m/m).

#### 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
12/01	CN PPI YoY (Dec)	12.9%
	CN CPI YoY (Dec)	2.3%
	EZ Industrial Production SA MoM (Nov)	1.1%
	US MBA Mortgage Applications (07 Jan)	-5.6%
	US CPI YoY (Dec)	6.8%
13/01	US U.S. Federal Reserve Releases Beige Book	
	UK RICS House Price Balance (Dec)	71%
	US PPI Final Demand YoY (Dec)	9.6%
	US Initial Jobless Claims (08 Jan)	207k

Source: Bloomberg

#### Hong Leong Bank Berhad

Fixed Income & Economic Research,  
Global Markets  
Level 8, Hong Leong Tower  
6, Jalan Damanlela  
Bukit Damansara  
50490 Kuala Lumpur  
Tel: 603-2081 1221  
Fax: 603-2081 8936

[HLMarkets@hbb.hongleong.com.my](mailto:HLMarkets@hbb.hongleong.com.my)

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