

Global Markets Research
Daily Market Highlights

17-Jan: US data weakened in December

US equities, dollar ended last week with losses

US retail sales, industrial production & consumer sentiment came in weaker

China's 2021 trade surplus at record high

- US equities ended on a mixed note on Friday as investors digested the weaker US economic data and big banks' quarterly earnings. The Dow Jones fell 0.6% while the S&P 500 and NASDAQ picked up 0.1% and 0.6% respectively. This came as Citigroup and JP Morgan reported declines in their fourth quarter profits, indicating that the boom enjoyed by banks during the pandemic had begun to wane. For the week, all three benchmarks closed lower, with the Dow recording the biggest losses (-0.9% w/w), whereas both the S&P 500 and NASDAQ fell 0.3%.
- Treasury yields rose on Friday as investors continued to sell bonds in anticipation of the Fed's imminent rate hike in March. The yield on the benchmark 10Y UST edged up by 7.4bps to 1.78%, but was little changed (+1.6bps w/w) compared to the previous week.
- The dollar index added 0.4% to 95.16 on Friday, as the risk-off sentiment boosted the dollar. The USD rose against all G10 currencies except the JPY which was flat. The DXY lost 0.6% on a weekly basis.
- USD/MYR closed little changed at 4.1785 on Friday and ended the week 0.7% w/w lower. We expect a Neutral-to-Slightly Bearish outlook for USD/MYR overall, eyeing a range of 4.16-4.21. Expectations for a neutral BNM at next week's MPC meeting will be supportive of the MYR.
- In the commodity market, gold futures tumbled for the second session by 0.3% to \$1816.5/oz but closed higher (+1.1% w/w) on a weekly basis against the weak dollar background. Crude oil prices rebounded sharply after the brief selling in the previous session. Brent crude settled at \$86.06/barrel (+1.9%) on Friday and clocked in a 5.3% weekly gain. WTI rose to \$83.82/barrel (+2.1%) and outperformed with a w/w increase of 6.2%.

Weaker US industrial, retail and sentiment data:

- US retail sales fell 1.9% m/m in December (Nov: +0.2%), missing the forecast for a 0% flat reading. Sales were down in nearly all categories of goods and services. The retail sales for the control group, seen as the core retail sales, registered a sharper decline of 3.1% m/m (Nov: -0.5%). The poorer sales reflect the impact of the Omicron variant as well as higher inflation, although this could partly be attributed to consumers having brought forward their spending to November.
- Industrial production fell 0.1% m/m in December (Nov: +0.7%), suggesting that the supply chain constraints and labour shortages remained the major challenges in the industry. The declines in manufacturing (-0.3%) and utility output (-1.5%) were offset by the gain in mining (+2.0%). The Federal Reserve said that the total industrial production in December was 3.7% higher than it was at the end of 2020 and 0.6% above its pre-pandemic (February 2020) reading.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	35,911.81	-0.56
S&P 500	4,662.85	0.08
NASDAQ	14,893.75	0.59
Stoxx 600	481.16	-1.01
FTSE 100	7,542.95	-0.28
Nikkei 225	28,124.28	-1.28
Hang Seng	24,383.32	-0.19
Straits Times	3,281.97	0.76
KLCI 30	1,555.33	-0.90
FX		
Dollar Index	95.17	0.40
EUR/USD	1.1411	-0.38
GBP/USD	1.3675	-0.23
USD/JPY	114.19	-0.01
AUD/USD	0.7208	-1.03
USD/CNH	6.3578	-0.11
USD/MYR	4.1785	0.06
USD/SGD	1.3477	0.16
Commodities		
WTI (\$/bbl)	83.82	2.07
Brent (\$/bbl)	86.06	1.88
Gold (\$/oz)	1,816.50	-0.27

Source: Bloomberg, HLBB Global Markets Research

- A preliminary reading showed that the University of Michigan Consumer Sentiment Index slipped to 68.8 in January (Dec: 70.6), the second lowest level in a decade. The survey said that the Delta and Omicron variants and escalating inflation rate contributed to the downward shift in consumer confidence.

UK economy expanded at robust pace before Omicron outbreak:

- The UK November activity indicators turned out better than expected indicating that the economy is growing at a robust pace prior to the Omicron outbreak in December. Nominal GDP expanded by 0.9% m/m in November (Oct: +0.2%), better than the modest forecast of 0.4%;
- All sub-components surpassed the consensus estimates; industrial production rose 1.0% m/m (Oct: -0.5%) reflecting a strong gain in manufacturing output (+1.1%). Construction output rose 3.5% m/m (Oct: -1.7%) while services activity expanded by 0.7% m/m (Oct: +0.4%).
- On a separate note, the UK good trade deficit narrowed slightly to £11.3b in November (Oct: -£11.8b) thanks to the stronger export growth (+8.5% m/m) compared to imports (+4.9%).

Eurozone recorded a trade deficit in November:

- The Eurozone's international trade surplus swung to a deficit for the first time since January 2014; the seasonally adjusted trade balance came in at -€1.3b in November (Oct: €1.8b) after narrowing consistently since January 2021 (except July 2021). This was mainly driven by the 4.5% m/m growth in imports in that month, versus the smaller 3.0% gain in exports, reflecting the region's robust demand for overseas goods as well as the manufacturing/export sectors' struggles with supply chain constraint.

China's 2021 trade surplus at record high:

- China's export growth came in slightly above expectations at 20.9% y/y in December, a bit weaker than 22.0% growth in the previous month but nonetheless a strong reading. Notably, total shipments rose to a fresh record of \$340.5b in dollar terms, indicating robust overseas demand for Chinese goods towards the year end. Import growth missed forecast, coming in at 19.5% y/y and marked a sharp slowdown from 31.7% in November. Total imports amounted to \$246b in December. Taking into account the full year performance, the \$3.37b total exports and \$2.69b imports helped drive the annual trade surplus to a record breaking \$676b in 2021 (2020: \$524b).

Japan's core machinery orders beat expectations:

- Japan's core machinery orders rose more than expected by 3.4% m/m in November (Oct: +3.8%), besting the estimate of 1.2%. The back-to-back growth points to the strengthening of Japanese manufacturing sector following the removal of the National State of Emergency. On a yearly basis, orders rose 11.6% (Oct: +2.9%), also better than forecast (+6.7%). Japan had been enjoying a period of low Covid cases from October through December 2021. However, a new Omicron wave started in early January sent new infections to a near record high of above 25k for the past two days.

Australia's owner occupier home loans rebounded:

- Australia home loans value surged by 6.3% m/m in November (Oct: -2.5%), smashing the consensus forecast of 0.4% and marking its best single-month gain in ten months. Approval of owner occupier loans was the main force driving loan growth in that month, picking up more than expected by 7.6% m/m (Oct: -4.1%) after five back-to-back declines. Investor loans meanwhile, continue to rise by 3.8% m/m (Oct: +1.1%) but missing the super upbeat forecast of 8.0% thanks to Australia's low interest rates.

House View and Forecasts

FX	This Week	1Q-22	2Q-22	3Q-22	4Q-22
DXY	94-96	96.15	96.40	96.30	96.30
EUR/USD	1.13-1.15	1.13	1.12	1.12	1.13
GBP/USD	1.36-1.38	1.34	1.33	1.35	1.36
AUD/USD	0.72-0.73	0.72	0.72	0.74	0.75
USD/JPY	114-115	115	116	115	114
USD/MYR	4.16-4.21	4.17	4.15	4.15	4.10
USD/SGD	1.34-1.35	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
17/01	UK Rightmove House Prices YoY (Jan)	6.3%
	SG Non-oil Domestic Exports YoY (Dec)	24.2%
	CN Industrial Production YoY (Dec)	3.8%
	CN Fixed Assets Ex Rural YTD YoY (Dec)	5.2%
	CN GDP SA QoQ (4Q)	0.2%
	CN GDP YoY (4Q)	4.9%
	CN Retail Sales YoY (Dec)	3.9%
18/01	JP Industrial Production MoM (Nov F)	7.2%
	UK ILO Unemployment Rate 3Mths (Nov)	4.2%
	UK Employment Change 3M/3M (Nov)	149k
	EZ ZEW Survey Expectations (Jan)	26.8
	US Empire Manufacturing (Jan)	31.9
	US NAHB Housing Market Index (Jan)	84.0
	JP BOJ Policy Balance Rate (18 Jan)	-0.1%

Source: Bloomberg

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