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Global Markets Research

Daily Market Highlights

25-Jan: US stocks ended higher after wild trading

Dow erased over 1000-pt losses; S&P 500 briefly slipped to correction

USD strength pressured major currencies; treasuries mixed

Services activity weighed by Omicron outbreaks in developed economies

- US stocks pulled off a most impressive turnaround on Monday, erasing the sharp losses in the early session. The Dow Jones closed nearly 100pts or 0.3% higher, despite having fallen by over 1000pts in the morning. The S&P 500 rose 0.3% as well after a brief plunge into the correction territory. NASDAQ outperformed with a 0.6% gain. The selloff and the subsequent reversal came as the markets were jolted by the intensifying tension between the West and Russia over the latter's potential invasion of Ukraine, not to mention the anticipation of firmer hawkish signals from the Federal Reserve this week.
- Treasuries traded on a mixed note; the front-end yields fell while longer-term yields picked up. The yield on the benchmark 10Y UST rose 1.3bps to 1.77%. In the FX market, the firmer USD strength pressured the G10 currencies; AUD, GBP and CAD lost around 0.5-0.6% while EUR, JPY and CHF recorded more modest declines of around 0.2%. The dollar index gained 0.3% to 95.92.
- USD/MYR continued to trade on a muted note on Monday, closing the session little changed (+0.08%) at 4.1890. We are neutral on USD/MYR this week, eyeing a range of 4.17-4.20 but highlight that any surprised policy guidance from the FOMC meeting could be a swing factor.
- Gold futures rose 0.5% to \$1841.7/oz. Crude oil prices slumped on the expectations of tighter Fed policy. WTI plummeted 2.2% for the second consecutive session to \$83.31/barrel while Brent crude slipped 1.8% to \$86.27/barrel.

US economy weighed by Omicron outbreak:

- Flash Markit PMIs indicated that the US economic momentum slowed at the start of the new year as the raging Omicron outbreak exacerbated the supply chain and labour shortages challenges. The manufacturing PMI fell to 55.0 in January (Dec: 57.7) whereas the services PMI plunged sharply to 50.9, down by over 6pts from 57.6 in December.
- The Chicago Fed National Activity Index turned negative for the first time in eight months; the index dropped to -0.15 in December (Nov: +0.44) to signal declining economic growth in the last month of 2021.

UK economic activity maintained decent momentum:

- The latest set of PMI readings showed that the UK economy fared relatively well despite the spread of the Omicron variant in the country. The flash Markit manufacturing PMI fell to 56.9 in January (Dec: 57.9) but still at an elevated level. The services gauge was slightly down to 53.3, from 53.6 previously; this reflects resilient growth in business and financial service which offset the impact of the Covid restriction on the hospitality, leisure and travel sectors.

Key Market Metrics

Equities

Dow Jones	34,364.50	0.29
S&P 500	4,410.13	0.28
NASDAQ	13,855.13	0.63
Stoxx 600	456.36	-3.81
FTSE 100	7,297.15	-2.63
Nikkei 225	27,588.37	0.24
Hang Seng	24,656.46	-1.24
Straits Times	3,283.35	-0.35
KLCI 30	1,521.86	-0.34

FX

Dollar Index	95.92	0.29
EUR/USD	1.1326	-0.16
GBP/USD	1.3488	-0.48
USD/JPY	113.95	0.24
AUD/USD	0.7145	-0.56
USD/CNH	6.3337	-0.12
USD/MYR	4.1890	0.08
USD/SGD	1.3464	0.12

Commodities

WTI (\$/bbl)	83.31	-2.15
Brent (\$/bbl)	86.27	-1.84
Gold (\$/oz)	1,841.70	0.54

Source: Bloomberg, HLBB Global Markets Research

European services sector growth slowed in January:

- Manufacturing growth held up in the euro area in January as the supply chain pressures began to ease in the new year. This is reflected in the modest climb in the Markit manufacturing PMI, from 58.0 to 59.0.
- The services PMI slumped to 51.2 in the same month, versus 53.1 prior; the softer expansion in the sector reflects the raging Omicron wave in the region that had led governments to reintroduce stricter measures.

Japan's services activity contracted amid virus resurgence; manufacturing strengthened:

- Japan's preliminary PMI readings for January showed that services activity plunged into the contraction area following the resurgence of the Covid-19 cases that had led to the reintroduction of restrictions. The Jibun Bank Flash Services PMI slipped to 46.6, from 52.1 previously.
- In contrast, the manufacturing sector continued to benefit from solid overseas and domestic demand. The manufacturing PMI rose to 54.6 in January (Nov: 54.3) to signal the strongest improvement in operating conditions since early 2018, driven by quickening output and new order growth.

Singapore's inflation rose further at year-end:

- Singapore's consumer prices rose 0.5% m/m in December, easing from the 1.0% gain in November. However, this translates to a y/y CPI growth rate of 4.0% (Nov: +3.8%), besting the consensus forecast of 3.7% and was the sharpest gain since Feb-2013. The core CPI rate also accelerated to 2.1% y/y, from 1.6%. Inflation was driven by higher costs of food, housing & utilities costs, household durable & services as well as education following the economic reopening.

Malaysia's foreign reserves at \$116.2b:

- Malaysia's international reserves fell to \$116.2b as at 14 January, from \$116.9b previously. The reserves were sufficient to finance 7.4 months of retained imports and is 1.2 times short-term external debt.

Extended contraction in New Zealand's services activity:

- The Performance of Services PMI improved to 49.7 in December, from 47.2 prior as New Zealand's services activity continued to contract last month, albeit at an easing pace. The indicator that gauges sales/activity rose 3.5pts to above 50 for the first time in five months but risks turning back to negative after the government tightened restrictions to curb the Omicron community transmission this week.

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	1.35-1.37	1.34	1.33	1.35	1.36
AUD/USD	0.72-0.73	0.72	0.72	0.74	0.75
USD/JPY	113-115	115	116	115	114
USD/MYR	4.17-4.20	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
25/01	AU CPI YoY (4Q)	3.00%
	AU NAB Business Confidence (Dec)	12.0
	US FHFA House Price Index MoM (Nov)	1.1%
	US S&P CoreLogic CS 20-City MoM SA (Nov)	0.92%
	US Conf. Board Consumer Confidence (Jan)	115.8
26/01	US Richmond Fed Manufact. Index (Jan)	16.0
	NZ Exports NZD (Dec)	5.86b
	SI Industrial Production YoY (Dec)	14.6%
	US MBA Mortgage Applications (21 Jan)	2.3%
	US Advance Goods Trade Balance (Dec)	-\$98.0b
	US New Home Sales MoM (Dec)	12.4%

Source: Bloomberg

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