31 January 2022

Global Markets Research

Daily Market Highlights

31-Jan: Dollar continues to maintain strength thanks to hawkish Fed

US equities rebound strongly last Friday spurred by decent corporate earnings

Bond yields pause climb; end richer instead in a roller-coaster week

Whilst USD dollar Index remains strong, the greenback close mixed against Asian FX

- US equities roared back to end on a high note last Friday (reversing the earlier bearish mode seen on Thursday), to end what was a turbulent week. Confidence was boosted by strong earnings notably by Apple a day earlier and other large corporates such as Visa and Caterpillar. Both the Dow Jones and S&P 500 snapped a 3-week losing stretch with the former up 1.7% whilst the later meanwhile rose 2.4%. Meanwhile the tech-heavy NASDAQ jumped 3.1%, erasing its entire weekly loss.
- In the bond market, investors were seen actively bidding for USTs, bringing yields lower overall as consumer spending for December outweighed the rise in the Fed's preferred inflation gauge of 5.8% y/y. The yields on both 2Y and 10Y benchmarks eased ~3bps to 1.16% and 1.78% each.
- The dollar maintained some strength on Friday where the USD appreciated most against Aussie and Kiwi in the basket of G10 currencies, but succumbed to the pound, yen and euro. It also closed mixed against Asian currencies. the G10 basket. The dollar index somewhat maintained its solid strength at 97.27, a one and a half year high.
- USD/MYR closed a mere 0.14% lower at 4.1895 on Friday. USD/MYR retreated from the daily high of 4.2070 to close 0.1% higher at 4.1955. USD/MYR outlook is neutral to bullish in the locally holiday-shortened week ahead, eyeing a range of 4.17-4.21 amid sustained USD strength but upside will likely be capped by imminent consolidation in the greenback as this week's sharp rally has pushed the DXY near overbought level. The MYR will be largely USD-driven this week as the Malaysian markets observe Lunar New Year festive break on 1-2 February.
- In the commodity market, the hawkish Fed put a dent on gold with the strong USD exerting more pressure on the yellow metal; futures dropped 0.5% to a 6-week low of $1784.90/oz on low trading volumes. Crude oil prices rose for a 6th consecutive week to 7-year highs over supply disruptions over geopolitical tensions involving Russia and Ukraine. Brent crude settled 0.8% up at $89.34 and WTI inched 0.2% higher to $86.82/barrel.

US Personal Income increased in December

- US Personal Income for December saw a slower pace of 0.3% compared to the 0.5% notched in November. Whilst the savings rate rose to 7.9% (the second consecutive monthly rise), salaries and wages too advanced albeit by 0.7% as companies continued to raise pay to attract workers amid low labour supply. Nevertheless, it is pertinent to note that inflation however is expected to chip away at these incomes.

US Personal Spending grows in 4Q2021

- Although US Personal Spending for Dec fell the most since February, it grew 3.3% in the final three (3) months of 2021, led by the pick-up in services outlays. Parts of

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	34,725.47	1.65
S&P 500	4,431.85	2.43
NASDAQ	13,770.57	3.13
Stoxx 600	465.55	-1.02
FTSE 100	7,466.07	-1.17
Nikkei 225	26,944.74	0.85
Hang Seng	23,553.03	0.01
Straits Times	3,266.30	0.62
KLCI 30	1,523.06	0.20
FX		
Dollar Index	97.18	-0.09
EUR/USD	1.1156	0.04
GBP/USD	1.3411	0.07
USD/JPY	115.43	0.15
AUD/USD	0.7009	0.30
USD/CNH	6.3666	-0.02
USD/MYR	4.1880	-0.04
USD/SGD	1.3552	0.01
Commodities		
WTI ($/bbl)	88.05	1.42
Brent ($/bbl)	91.33	1.44
Gold ($/oz)	1,786.30	0.08

Source: Bloomberg, HLBB Global Markets Research data analysis revealed that the consumer outlays were concentrated in the earlier part of the 4th quarter last year.

US Personal Consumption Expenditure Core Price Index continues to pierce higher

- US PCE Core Deflator y/y for Dec jumps further to another breaking record digit of 4.9% (Nov: 4.7%) with the inflation-adjusted consumer spending barometer (that excludes food and energy) hitting a 40-year high. Price pressures are expected to remain elevated in the coming months before a lull period is seen taking place

US University of Michigan consumer sentiment index falls

- US Uni. of Mich. Sentiment (Jan F) index was revised lower from initial projection of 68.8 to 67.2 which highlights the lowest reading since November 2011

Hong Kong's 4Q GDP growth disappointed:

- A preliminary report showed that the Hong Kong economy grew a mere 0.2% q/q in the fourth quarter of 2021, fell short of the consensus forecast of 1.0% and followed the 0.1% growth in the third quarter. This translates to a softer 4.8% y/y growth for 4Q (3Q: +5.4%), versus forecast of 5.0%. For the full year of 2021, GDP growth came in at 6.4%, recovering from the 6.1% contraction in 2020. The moderating y/y growth in 4Q reflects easing in household and government spending, softer trade performance and a sharp pull-back in investment. Outlook for the Hong Kong economy remains mixed for 2022 as the government continues to impose stringent Covid policy that makes travelling to Hong Kong unattractive, thus isolating the supposedly international hub from overseas travellers.

Vietnam's manufacturing conditions strengthened:

- Vietnam's Markit Manufacturing PMI rose to 53.7 in January, from 52.5 in December, driven by sharper rates of new orders and output growths. This indicates that growth momentum picked up in the Vietnamese manufacturing sector at the start of 2022 as the recovery from the Delta wave continued.

Malaysia sustained double-digit export growth:

- Malaysia's exports growth moderated for the first time in five months, albeit less than expected to 29.2% y/y in December (Nov: +32.4% y/y). Nonetheless, continued double-digit expansion in exports suggests the world economy continued to recover, as production and trade activities gained traction along with improving demand and economic reopening. Imports on the other also saw growth decelerate to 23.6% y/y in December (Nov: +38.0%), helping boost trade surplus to a record RM31.0bn and would augur well with 4Q GDP. Exports grew 10.4% m/m while imports declined marginally by 0.4% n/n, brining full year exports growth to 26.0% y/y in 2021, and imports growth to 23.3% y/y.

House View and Forecasts

FX	This Week	1Q-22	2Q-22	3Q-22	4Q-22
DXY	96-98	96.15	96.40	96.30	96.30
EUR/USD	1.11-1.13	1.13	1.12	1.12	1.13
GBP/USD	1.33-1.35	1.34	1.33	1.35	1.36
AUD/USD	0.70-0.72	0.72	0.72	0.74	0.75
USD/JPY	113-115	115	116	115	114
USD/MYR	4.17-4.21	4.17	4.15	4.15	4.10
USD/SGD	1.34-1.36	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
31/01	JP Retail Sales MoM (Dec)	1.3%
	JP Industrial Production MoM (Dec P)	7.0%
	JP Retail Sales YoY (Dec)	1.9%
	HK Retail Sales Value YoY (Dec)	7.1%
	EZ GDP SA QoQ (4Q A)	2.2%
	US MNI Chicago PMI (Jan)	64.3
	US Dallas Fed Manf. Activity (Jan)	8.1
01/02	JP Job-To-Applicant Ratio (Dec)	1.15
	JP Jobless Rate (Dec)	2.8%
	AU Home Loans Value MoM (Dec)	6.3%
	AU Retail Sales MoM (Dec)	7.3%
	JP Jibun Bank Japan PMI Mfg (Jan F)	54.3
	AU RBA Cash Rate Target (01 Feb)	0.1%
	EZ Markit Eurozone Manufacturing PMI (Jan F)	58
	UK Markit UK PMI Manufacturing SA (Jan F)	56.9
	EZ Unemployment Rate (Dec)	7.2%
	US Markit US Manufacturing PMI (Jan F)	57.7
	US Construction Spending MoM (Dec)	0.4%
	US ISM Manufacturing (Jan)	58.7
	US JOLTS Job Openings (Dec)	10562k

Source: Bloomberg

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