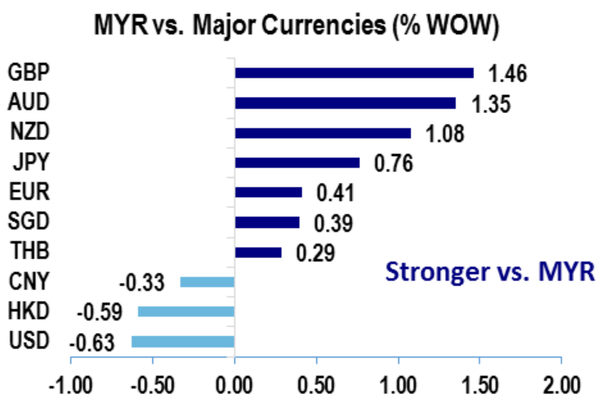
Global Markets Research

Weekly Market Highlights

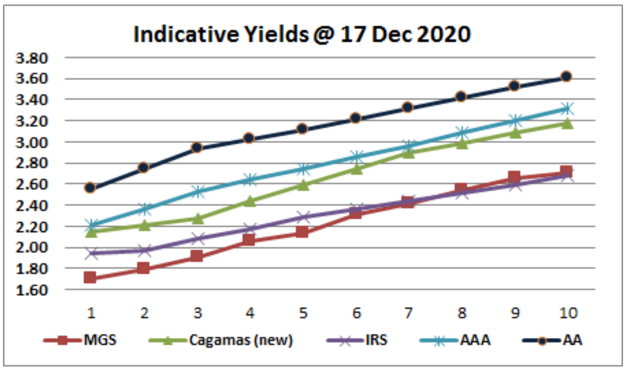
Weekly Performance

	Macro	Currency	Equity	10-y Govt Bond Yields
US	↔	↓	↑	↑
EU	↔	↑	↑	↑
UK	↔	↑	↑	↑
Japan	↓	↑	↑	↓
Malaysia	↔	↑	↑	↓
China	↑	↑	↑	↑
Hong Kong	↔	↔	↓	↓
Singapore	↓	↑	↑	↓

Weekly MYR Performance



Indicative Yields



Please see important disclosure at the end of the report

Macroeconomics

- US stocks rallied this week boosted by firmer hope that lawmakers could reach a bipartisan stimulus deal worth around $900b ahead of Christmas, breaking the multi-month political gridlock that lasted through the General Elections. All three benchmarks ended Thursday's session at record highs. The Federal Reserve kept the Fed funds rate target unchanged at 0-0.25% as and enhanced its forward guidance on its bond-buying program. It did not tweak its program to add more stimulus as anticipated by some traders. BOE also left its benchmark rate and QE unchanged.
- Flash PMI readings showed that growth remained uneven across manufacturing and services sectors in the US, Eurozone, UK and Japan as the pandemic is still raging and new restrictions that could stifle growth are put in place. US data were mixed with jobless claims and retail sales missing estimate and industrial production recording growth. UK job market deteriorated further while inflation generally retreated in the Eurozone, UK and Japan. China key indicators point to solid recovery. Australia job data were upbeat and New Zealand steered out of recession.
- Data calendar is much lighter next week ahead of the year end festive holiday. Of note, final 3Q GDP from the US and the UK will be scrutinized, followed by other fist tier US releases including the personal outlay reports, durable goods orders, and initial jobless claims.

Forex

- **MYR**: USD/MYR trended lower for the 3rd straight day to end 0.63% lower WOW at 4.0340 yesterday. The pair has been rangetrading within the 4.05-4.06 big figures through the week until the massive abrupt move down to the 4.03 handle yesterday, a sharp pullback from the 4.0775 opening, following a steep decline in the USD. We maintain a **bullish** view on MYR next week as further elimination of event risks after the approval of the 2021 national budget and USD weakness should be MYR positive. A break of the 4.03 support will pave the way for the pair to head towards the 4.00 psychological level.
- **USD**: USD failed to hold up, even breaking the 90.0 key threshold, and fell more than 1.0% WOW to close at 89.82 on Thursday, just a tad above our 4Q21 forecast of 89.0. Improvement in risk sentiments, coupled with disappointment in the inaction by the Fed stopping short of introducing any new QE measures exerted pressure on the greenback. USD **bears** will likely persist going into next week as markets scrutinize the last batch of key US data including final reading of 3Q GDP, personal outlay reports, durable goods orders and home sales before the year concludes. Dollar Index is expected to head towards 89.00-89.50 next, after the break below 90.0.

Fixed Income

- The week under review saw UST movements reacting to the frequent updates on the proposed stimulus bill and also the mixed bag of economic data. The continued expansion in November's industrial production was neutralized by weaker-than expected initial jobless claims for week ended 12th Dec. **Overall benchmark yields closed between -2 to +6bps bps across the curve. T**he curve ended steeper again with the 2Y benchmark; reflective of interest rate predictions edging 2bps lower at 0.12% whilst the much-watched 10Y (which traded within a tighter 0.89%-0.93% range); rising 3bps at 0.93%. the Fed's language from the FOMC meeting reinforced that its asset-purchase could continue for longer than previously believed and is committed to helping boost the economy by keeping borrowing costs low and maintaining short-term interest rates near zero.
- Local govvies continued to see resilience; shrugging off the recent rating set-back by Fitch Rating. The passing of the final parliamentary vote on the 2021 national budget removed another event risk, and augured well with investors. Bargain-hunting activities were brisk and prominent as **overall benchmark MGS/GII yields closed sharply lower between 2-11bps for MGS/GII with the longer-ends notably richer.** Interest was seen mainly across many tenures with frequency of trades seen most in the off-the-run 21-22's, 25's, 28's, 29's and also benchmark 5Y, 7Y, 10Y MGS/GII bonds. The benchmark 5Y MGS 9/25 yields edged 1bps lower at 2.13% whilst the 10Y MGS 4/31 benchmark rallied, pushing yields down 5bps at 2.69% levels. Total secondary market volume however decreased @ RM10.61b versus prior week's RM11.40b. Separately, the World Bank expects Malaysia's economy to shrink by 5.8% in 2020 before bouncing back at 7.0% next year. Expect range-bound activities with intermittent profit-taking to emerge next week.

Contents

Macroeconomics

6-month Macro Outlook

	Economy	Inflation	Monetary Policy	Currency
US	↑	↔	↓	↓
EU	↑	↔	↓	↑
UK	↑	↔	↓	↑
Japan	↑	↔	↓	↑
Australia	↑	↔	↓	↑
China	↑	↔	↓	↑
Malaysia	↑	↔	↓	↑
Thailand	↑	↔	↓	↔
Indonesia	↑	↔	↓	↔
Singapore	↑	↔	↓	↑

The Week in Review

- US stocks rallied this week boosted by firmer hope that lawmakers could reach a bipartisan stimulus deal worth around $900b ahead of Christmas, breaking the multi-month political gridlock that lasted through the General Elections. The Dow Jones closed 1.0% WOW higher on Thursday, the S&P500 gained 1.5% WOW and NASDAQ (+2.95 WOW) outperformed. All three benchmarks ended Thursday's session at record highs. Gold prices (+2.7% WOW) advanced further this week as the dollar fell to its lowest level since Apr 2018. Oil prices rode on improved sentiments as well with Brent crude picking up 2.5% WOW and US WTI surging by 3.4%.

- The Federal Reserve kept the Fed funds rate target unchanged at 0-0.25% as and enhanced its forward guidance on its bond-buying program. It did not tweak its program to add more stimulus as anticipated by some traders. New projections were also more optimistic this round as the US economy recovers and the rollout of vaccine raise the prospect of gradual end of the pandemic.The economy is now expected to contract by a smaller rate of 2.4% in 2020 (versus -3.7% prior). Growth in 2021 was revised upwards to 4.2% (prior: +4%). The latest dot plot also showed that policy makers maintained their interest rates outlook, expecting the fed funds rate to stay near 0% and remain so through 2023. The Bank of England also left Bank Rate steady at 0.1%, staying put ahead of key Brexit deadline.

- Flash PMI readings showed that growth remained uneven across manufacturing and services sectors in the US, Eurozone, UK and Japan as the pandemic is still raging and new restrictions that could stifle growth are put in place. In the US, initial jobless claims rose for the second week to 885k. Retail sales fell more than expected by 1.1% MOM even in a Black Friday sales month. Industrial production meanwhile was boosted by vehicles production.

- Eurozone industrial production growth accelerated in October prior to lockdowns; trade surplus widened as exports improved although international trade still yet to catch up to pre-crises level. UK data were particularly poor as the economy continued to shed jobs but a consumer sentiment gauge improved after the end of recent lockdown. Other than that, inflation generally retreated in the UK, Eurozone as well as Japan. Japan's industrial production climbed for the fifth consecutive month but exports unexpectedly dropped China's industrial production, retail sales and fixed investment met expectations; the positive readings reaffirmed the country's solid path towards recovery. Singapore NODX also dissapointed as shipments to China declined.

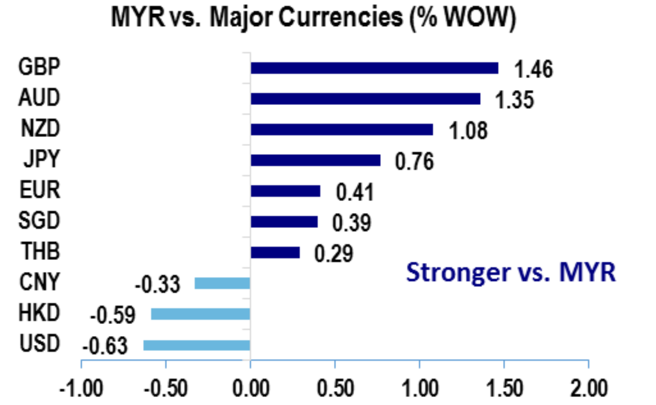
- Data downunder were upbeat as widely expected given successful containment of the virus. Australia added more jobs than expected and unemployment rate fell. Westpac leading index registered the largest gain on record. New Zealand saw a strong 14% rebound in 3Q GDP that lifted the economy out of recession. Other than that, consumer sentiment also jumped sharply.

The Week Ahead

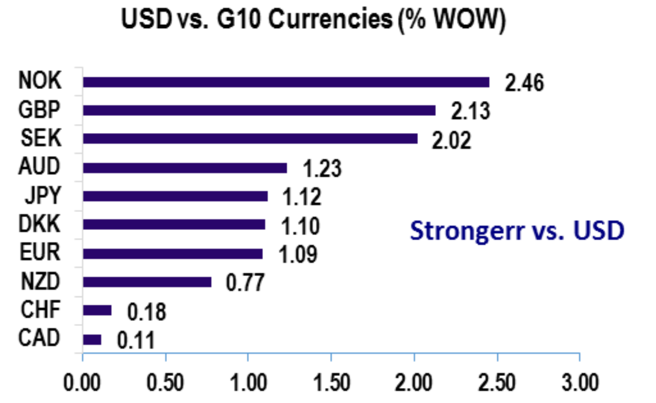
- There are fewer economic data releases next week which kicks off with the PBOC's decision on its 1-year loan prime rate, followed by Hong Kong CPI inflation, US Chicago Fed National Activity Index and Eurozone consumer confidence. On Tuesday, the UK ONS is expected to publish its final reading of 3Q GDP growth (currently at 15.5% QOQ). After which the US BEA will also release its third GDP estimate for 3Q (now at annualised 33.1% QOQ). Other key data are US existing home sales and the Richmond Fed Manufacturing Index.

- Both Malaysia and Singapore CPI are expected to be released Wednesday around noon time, followed by US first-tiered data such as personal income, personal spending and core PCE at night. Other US readings include the University of Michigan Consumer Sentiment Index, new home sales and the FHFA House Price Index.On Thursday, Singapore industrial production is out in the morning followed by US jobless claims data and durable goods orders. Last but not least, the week wraps up with Japan's retail sales, jobless rate and job-to-applicants ratio on Christmas Day.

Forex



Source: Bloomberg



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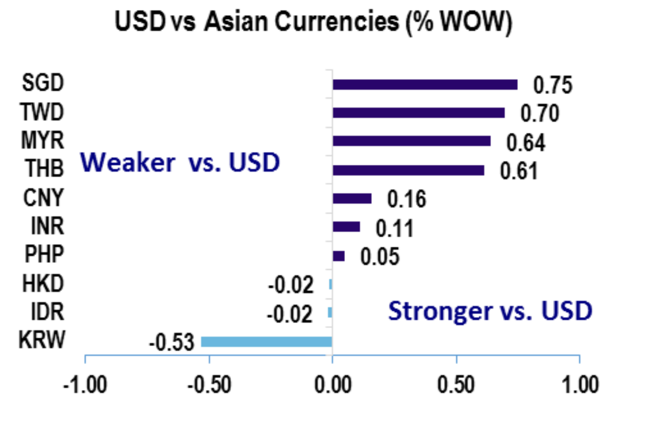

Source: Bloomberg

Review and Outlook

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- **EUR**: EUR/USD continued pushing higher despite being at stretched levels, spurred by renewed optimism surrounding Brexit talks, as well as USD weakness, in addition to spillover effects from ECB's QE extension announced late last week. The EUR rallied past 1.22 to reach a week-high of 1.2273, and is expected to head towards the 1.23 handle next. We however noted that positive momentum has further softened, signalling odds of some consolidation before further upmove. We expect a **neutral to bullish** EUR in the week ahead.

- **GBP**: GBP/USD regained footing this week following the extension of Brexit deadline which revived hopes that a deal could still be reached, squashing earlier worry of a no deal hard Brexit. The sterling traded up four big figures from a week-low of 1.3135 to above 1.3500, hitting as high as 1.3624 intraday in the process. BOE did not spring any surprises, keeping rates, QE and dovish policy stance unchanged. After having broken the 1.3500 key resistance, GBP looks set to remain **neutral to bullish**, potentially breaching 1.3600 soon amid a weakening USD outlook and if Brexit talks show more encouraging progress. Support remains at 1.3240.

- **JPY**: JPY also saw reversed fortune as it strengthened 1.12% WOW to 103.11 as at yesterday's close amid USD weakness, far outweighing the spike in risk appetite. The break below 103.70 has strengthened JPY bulls in our view, eyeing 102.40 followed by 101.00 next. BOJ's final meet today suggesting some form of QE extension while positive, will unlikely move markets. The pair will remain largely USD- and sentiments-driven next week, hence our **bullish** view on JPY.

- **AUD**: The trajectory in AUD/USD closely tracked movement in other majors, breaking out from a rangetrading mode in the region of 0.7500-0.7570 the past week and rallied past 0.7600 yesterday. The pair gained 1.23% WOW to 0.7622, buoyed by USD weakness, rising oil prices, and better risk sentiments this week. The pair remains overbought and we would not be surprised by a technical correction after recent rally. While the pair appears stretched, the pair remains overall **bullish** and is expected to test the next resistance at 0.7750 next followed by 0.7900.

- **SGD**: USD/SGD edged lower and traded wider between 1.3249 and 1.3378 (prior: 1.3312-1.3399), closing out the week 0.75% lower at 1.3260 as at yesterday's close, breaking the 1.3300 psychological support amid USD weakness and improving risk sentiments in the markets. Singapore industrail production and CPI due for release next week will unlikely derail the current bearish USD/SGD move. SGD remains **neutral to bullish** next week and we eye 1.3200 as the next target to break, followed by 1.3100.

Technical Analysis:

Currency	Current price	14-day RSI	Support - Resistance		Moving Averages			Call
					30 Days	100 Days	200 Days	
EURUSD	1.2255	73.5720	1.1834	1.2312	1.1994	1.1852	1.1480	Positive
GBPUSD	1.3544	62.7860	1.3218	1.3562	1.3334	1.3117	1.2771	Positive
USDJPY	103.3000	36.5720	103.2900	104.8200	104.2400	105.1300	106.3400	Negative
USDCNY	6.5393	36.6850	6.5137	6.5954	6.5679	6.7491	6.9038	Negative
USDSGD	1.3265	26.2270	1.3269	1.3458	1.3396	1.3570	1.3831	Negative
AUDUSD	0.7609	76.6470	0.7261	0.7640	0.7396	0.7248	0.6929	Positive
NZDUSD	0.7142	74.0520	0.6948	0.7160	0.6995	0.6746	0.6494	Positive
USDMYR	4.0385	29.4990	4.0353	4.0959	4.0808	4.1406	4.2234	Negative
EURMYR	4.9490	62.2300	4.8378	4.9749	4.8934	4.9056	4.8405	Negative
GBPMYR	5.4697	54.6370	5.3769	5.5027	5.4384	5.4281	5.3931	Negative
JPYMYR	3.9093	47.5560	3.8839	3.9315	3.9170	3.9400	3.9737	Negative
CHFMYR	4.5652	55.6230	4.4650	4.6147	4.5304	4.5523	4.5295	Negative
SGDMYR	3.0446	49.5830	3.0331	3.0521	3.0472	3.0509	3.0540	Negative
AUDMYR	3.0731	67.6990	2.9731	3.0822	3.0171	2.9990	2.9138	Negative
NZDMYR	2.8841	61.2190	2.8423	2.8920	2.8534	2.7925	2.7358	Negative

Trader's Comment:

The Dollars continues to weaken after the Federal Reserve confirmed to maintain asset purchase program until substantial progress seen. USDMYR also drifted lower to 4.0330, a new 2-year low. The pair opened around last week's close of 4.05, traded to a high of 4.0670 on some political noise before the final vote of 2021 budget in the lower house of parliament. A quick reversal seen after the budget approved and no hurdle seen to stop the pair to test the 4.00 psychological level next. Short term volatility also collapsed right after the FOMC as the year-end holiday season approaching. Expect USDMYR to trade within 4.00-4.06 in the coming week.

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Technical Charts

USDMYR

Source: Bloomberg

EURMYR

Source: Bloomberg

GBPMYR

Source: Bloomberg

JPYMYR

Source: Bloomberg

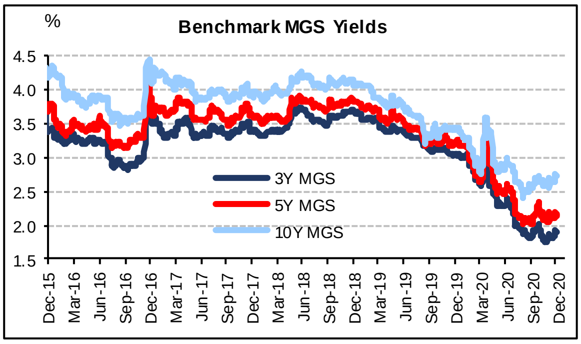
AUDMYR

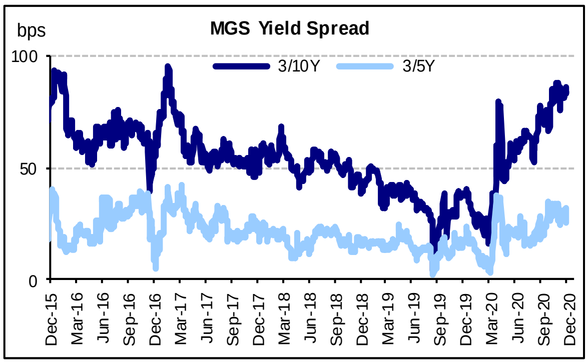
Source: Bloomberg

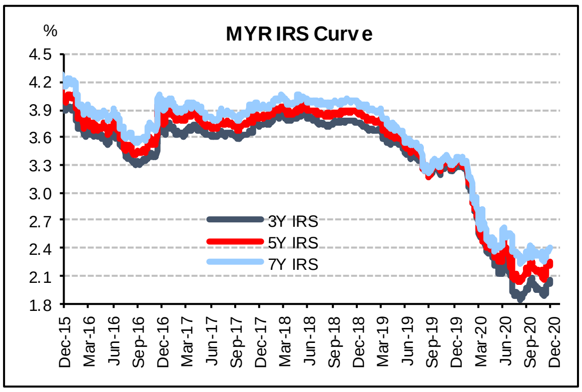
SGDMYR

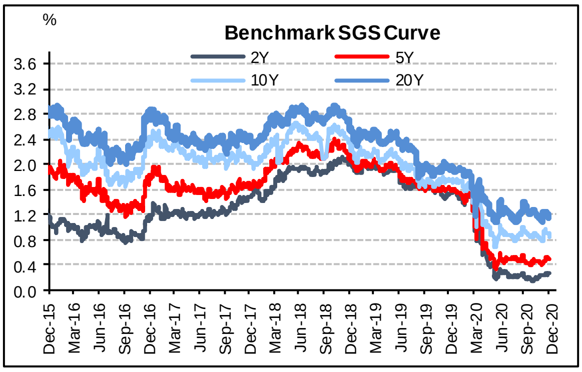
Source: Bloomberg

Fixed Income









Review & Outlook

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- The week saw stronger investor appetite and sentiment with interest seen across the curve for both Corporate bonds/Sukuk and government-guaranteed bonds. Overall yields closed mostly mixed amid a total weekly market volume which improved 20% to RM2.75b versus prior week's RM2.29b. Topping the weekly volume was energy-related bonds JEP 5/32 (AA3) which edged 1bps up compared to previous-done levels at 3.83%, followed by AFFIN Islamic perpetual bonds (A3) which closed 1bps lower at 4.22%. More frequent bond trades were noted in PRASA, CAGAMAS, PASB, DANUM, EDRA, MANJUNG, JEP, SEB and Affin Islamic bonds. The prominent new issuance for the week was Prasarana Malaysia Berhad's 2Y bonds (GG) totalling RM230m with a coupon of 1.96% and also Kedah Cement Sdn Bhd's 3Y papers (A1) with a coupon of 4.4%.

- SGS (govvies) ended weaker w-o-w with overall benchmark yields closing mostly lower between 1-3bps across save for the longer-ends which were pressured; rising by 3bps. The curve was flatter up to 10Y tenures with the 2Y edging 1bps lower at 0.33% level whilst the 10Y traded within a very narrow 4bps range and closed 3bps lower at 0.91%. Meanwhile the SGD is expected to continue strengthening on optimsm for an economic recovery next year amid a containment in COVID-19 cases desite weaker annualized export numbers in November recently. Separately MAS has successfully extended a $60b swap arrangement with the Fed that lasts right through September 2021. GLP Pte Ltd has successfully been assigned a AA long-term rating by S & P Global ratings for its Japanese yen-denominated bond issue.

Rating Action			
Issuer	**PDS Description**	**Rating/Outlook**	**Action**
Fortune Premiere Sdn Bhd	RM3.0 billion Multi-Currency Islamic Medium-Term Notes Programme (Sukuk Murabahah)	AA-IS/Stable	Affirmed
Bank Muamalat Malaysia Berhad	Financial institution (FI) ratings	A/MARC-1/Stable	Affirmed
	Islamic Senior Notes Programme (Senior Sukuk) of up to RM2.0 billion	A-IS/Stable	Affirmed
Celcom Networks Sdn Bhd	RM5.0 billion Sukuk Murabahah Programme	AA+IS	Affirmed
West Coast Expressway Sdn Bhd	RM1 bil Guaranteed Sukuk Murabahah Programme (2015/2036) Tranche 1 Tranche 2	AAA(bg)/Stable AAA(fg)/Stable	Reaffirmed
Premium Commerce Berhad	Class A and Class B Notes under the respective Notes Series 2015-A and 2016-A.Commercial Papers Programme of up to RM10 bil in nominal value	MARC-1IS/AAA IS/Stable	Reaffirmed
	Notes Series 2015-A Class A Notes Class B Notes Class C Notes	 AAA/Stable AAA/Stable Not rated	
	Notes Series 2016-A Class A Notes Class B Notes Class C Notes	 AAA/Stable AAA/Stable Not rated	 Assigned
Perbadanan Kemajuan Negeri Selangor	Proposed RM3 bil Islamic Medium-Term Notes (MTN) Programme and proposed RM1 bil Islamic Commercial Paper (CP) Programme.	AA3/Stable and P1	Assigned
PETRONAS Dagangan Berhad	Islamic Commercial Papers (ICP) and Islamic Medium-Term Notes (IMTN) Programmes of up to RM2.0 billion	MARC-1IS/AAA IS/Stable	Affirmed
Malakoff Power Berhad	RM5.4 billion Sukuk Murabahah	AA-IS/Stable	Affirmed
Northport (Malaysia) Bhd	Islamic Commercial Papers (ICP) Programme and Islamic Medium-Term Notes (IMTN) Programme	MARC-1IS and AA-IS/Stable	Affirmed
Genting Plantations Berhad	Corporate Credit rating	AA2/Stable/P1	Reaffirmed
	RM1.5 bil Sukuk Murabahah Programme (2015/2030)	AA2(s)/Stable	Reaffirmed
Pengurusan Air Selangor Sdn Bhd	Islamic Medium-Term Notes Programme of up to RM10 bil in nominal value and Islamic Commercial Papers Programme of up to RM10 bil in nominal value	AAA/Stable and P1	Assigned

Source: RAM; MARC

Economic Calendar

Date	Time	Country	Event	Period	Prior
21/12	**09:30**	**CH**	**1-Year Loan Prime Rate**	**Dec-21**	**3.85%**
	16:30	**HK**	**CPI Composite YoY**	**Nov**	**-0.2%**
	21:30	**US**	**Chicago Fed Nat Activity Index**	**Nov**	**0.83**
	23:00	**EC**	**Consumer Confidence**	**Dec A**	**-17.6**
22/12	**15:00**	**MA**	**Foreign Reserves**	**Dec-15**	**--**
	17:30	**UK**	**GDP QoQ**	**3Q F**	**15.5%**
	21:30	**US**	**GDP Annualized QoQ**	**3Q T**	**33.1%**
	23:00	**US**	**Conf. Board Consumer Confidence**	**Dec**	**96.1**
	23:00	**US**	**Existing Home Sales MoM**	**Nov**	**4.3%**
	23:00	**US**	**Richmond Fed Manufact. Index**	**Dec**	**15.0**
23/12	**12:00**	**MA**	**CPI YoY**	**Nov**	**-1.5%**
	13:00	**SI**	**CPI YoY**	**Nov**	**-0.2%**
	20:00	**US**	**MBA Mortgage Applications**	**Dec-18**	**--**
	21:30	**US**	**Personal Income**	**Nov**	**-0.7%**
	21:30	**US**	**Personal Spending**	**Nov**	**0.5%**
	21:30	**US**	**PCE Core Deflator YoY**	**Nov**	**1.4%**
	22:00	**US**	**FHFA House Price Index MoM**	**Oct**	**1.7%**
	23:00	**US**	**U. of Mich. Sentiment**	**Dec F**	**--**
	23:00	**US**	**New Home Sales MoM**	**Nov**	**-0.3%**
24/12	**13:00**	**SI**	**Industrial Production SA MoM**	**Nov**	**-19.0%**
	21:30	**US**	**Initial Jobless Claims**	**Dec-19**	**--**
	21:30	**US**	**Durable Goods Orders**	**Nov P**	**--**
25/12	**07:30**	**JN**	**Jobless Rate**	**Nov**	**3.1%**
	07:30	**JN**	**Job-To-Applicant Ratio**	**Nov**	**1.04**
	07:50	**JN**	**Retail Sales YoY**	**Nov**	**6.4%**
27/12	09:30	CH	Industrial Profits YoY	Nov	28.2%
27-31/12	NA	VN	Retail Sales YTD YoY	Dec	2.0%
	NA	VN	Industrial Production YoY	Dec	9.2%
	NA	VN	GDP YoY	4Q	2.62%
	NA	VN	Exports YoY	Dec	8.8%
	NA	VN	CPI YoY	Dec	1.48%
28/12	07:50	JN	Industrial Production YoY	Nov P	--
	12:00	MA	Exports YoY	Nov	0.2%
	16:30	HK	Exports YoY	Nov	-1.1%
	23:30	US	Dallas Fed Manf. Activity	Dec	12.0
29/12	22:00	US	S&P CoreLogic CS 20-City YoY NSA	Oct	6.57%
30/12	20:00	US	MBA Mortgage Applications	Dec-25	--
	21:30	US	Advance Goods Trade Balance	Nov	-$80.3b
	22:45	US	MNI Chicago PMI	Dec	58.2
	23:00	US	Pending Home Sales MoM	Nov	-1.1%
31/12	09:00	CH	Manufacturing PMI	Dec	52.1
	09:00	CH	Non-manufacturing PMI	Dec	56.4
	21:30	US	Initial Jobless Claims	Dec-26	--

Source: Bloomberg

Hong Leong Bank Berhad
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