

Global Markets Research

Weekly Market Highlights

Markets

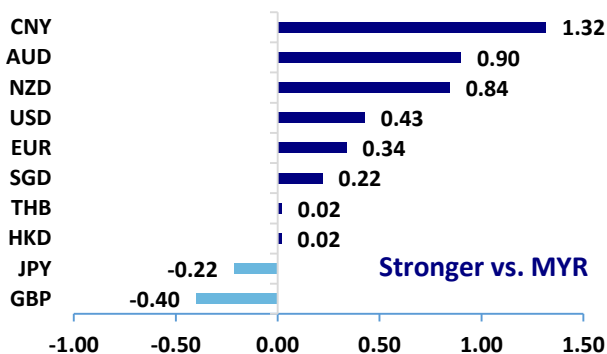
	Last Closing	WOW%	YTD %
Dow Jones	31,041.13	1.4	1.4
S&P 500	3,803.79	1.3	1.3
FTSE 100	6,856.96	6.1	6.1
Hang Seng	27,548.52	1.2	2.2
KLCI	1,602.95	-1.5	-1.7
STI	2,906.97	2.2	3.7
Dollar Index	89.83	-0.1	-0.1
WTI oil (\$/bbl)	50.83	4.8	4.8
Brent oil (\$/bbl)	54.38	5.0	5.6
Gold (\$/oz)	1,913.60	1.0	0.9

Source: Bloomberg

- US stocks kicked off the new year with sharp losses on the first day of trading but managed to recover in the ensuing sessions and eventually hit new highs on Thursday in an eventful week that saw pro-Trump rioters storming the Capitol Hill. Investors largely ignored the incidents as Democrats flipped Georgia into a blue state, spurring bullish sentiment for more stimulus aid in 2021. Top Democrats are now calling on cabinet officials to remove Trump from office or they will seek another impeachment otherwise. Elaine Zhao, the Secretary of Transportations and Betzy Devos, Secretary of Education have resigned from the administration.
- Uneven economic data observed across major economies - stronger manufacturing and weaker services activity. Focus now on tonight's US NFP report; surprise fall in ADP private payroll alongside contraction in ISM Services Employment suggest lacklustre number. Key data next week include US retail sales, industrial productions, CPI/PPI as well as China inflation and trade data. Malaysia IPI is also due Monday.

Forex

MYR vs. Major Currencies (% WOW)

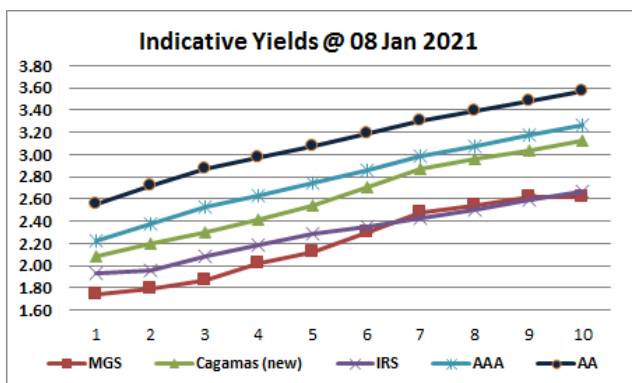


Source: Bloomberg

- MYR traded as low as 3.9957 vs the USD at the first trading day of the year, but the pair has since trended up steadily, trading at 4.0433 at time of writing, close to its intraday high of 4.0475, amid bullish USD sentiments. The pair is poised for some technical correction from recent losses, now that it has moved further away from oversold position and momentum indicator has turned slightly positive. However, we believe this could be shortlived as USD weakness resumes. We are looking at a likely range of 3.98-4.04 in the week ahead.
- Dollar broke its downtrend on 7 January, although overall DXY was 0.12% down for the week ending Thursday. PMI data was positive, although a negative ADP employment figure caused some concern. Besides, Capitol unrest and US-China relations partly contributed to some risk aversion, and the rebound. With a presidential transition ahead, dollar may resume its downtrend ahead. The Democrat sweep in the Georgia Senate elections may also help push this trend, especially if stimulus passes faster-than-expected. We are **neutral-to-bearish** on the USD for the week ahead. For the week ahead, focus is on non-farm payrolls and CPI/PPI data.

Fixed Income

Indicative Yields @ 08 Jan 2021



Source: Bloomberg

- UST:** The week under review UST movements close weaker; reacting to the Georgia state run-off elections which ultimately lead to the outright win for the Democrats. **Overall benchmark yields rose between 2-21bps bps across;** causing the curve to steepen sharply. The 2Y benchmark; reflective of interest rate predictions edging 2bps higher at 0.14% whilst the much-watched 10Y (which traded within a tighter 0.91%-1.09% range); spiked 16ps at 1.08%; the highest since March 2020. **Expect all eyes on tonight's release of US NFP/payrolls for December.**
- MGS/GII:** MYR government bonds saw some profit-taking on rising secondary trades. Bargain-hunting activities were brisk and prominent as **overall benchmark MGS/GII yields closed higher between 0-10bps for MGS/GII save for the 10Y.** Interest was seen mainly across many tenures with frequency of trades seen most in the off-the-run 21-22's, 28's and also benchmark 5Y, 10Y, 15Y MGS/GII bonds. **Expect range-bound activities with intermittent profit-taking to continue next week.**

Macroeconomic Updates

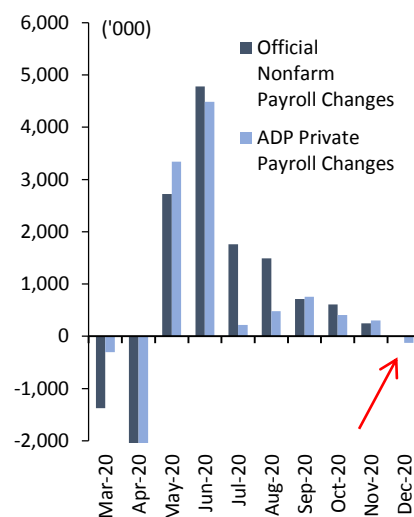
- US stocks kicked off the new year with sharp losses on the first day** of trading but managed to recover in the ensuing sessions and eventually hit new highs on Thursday in an eventful week that saw pro-Trump rioters storming the Capitol Hill. The incident ended with four deaths and Democrats are now calling on cabinet officials to remove Trump from office for inciting the violence or they will seek another impeachment otherwise. Elaine Zhao, the Secretary of Transportations and Betsy Devos, Secretary of Education have resigned from the administration.
- The bullish market sentiment was spurred by Democrats' flipping of Georgia** into a blue state after having clinched a double victory in the much anticipated runoff elections. The Senate is now divided evenly by 50-50 among Republicans and Democrats where the incoming Vice President (who is also the President of the Senate) i.e. Kamala Harris to cast a tie-breaking vote, delivering the Senate majority to the Democratic party. This means that the Democrats will have both the White House and Congress comes January 20th, the first time since 2010.
- Economic data remained uneven;** PMIs showed that manufacturing sectors in the US, Eurozone and UK were supported by robust demand but also suffer from pandemic-related disruption. Services PMIs meanwhile were down in most key economies, indicating lower services sector activity in the wake of the new lockdowns or tighter restrictions.
- Job market prospects in the US turned grimmer as the private sector unexpectedly shed 123k jobs** in December according to the ADP National Employment Report. The ISM Manufacturing Employment Index showed an upturn but the services employment index was down to contraction level, suggesting that firms are cutting jobs. This, alongside the still-elevated initial jobless claims are strong indications of a weakening labour market that has troubles to reabsorb the previously laid-off workers. Focus now turns to the all important NFP job report tonight.

The Week Ahead...

- China's December consumer and produce inflation data on Monday which are crucial to gauge overall consumer demand especially with the Lunar New Year approaching. Producer prices also provide some insights of industrial and manufacturing profits.
- The US BEA releases CPI inflation report on Wednesday, unlikely to be a market mover given that prices pressure is expected to stay muted across the board. Eurozone's November industrial production due on the same day is likely to record another increase, judging from upbeat
- The closely watched China's trade data are also scheduled for Thursday's release; China's exports and imports are likely to improve further, in the wake of more robust global demand; low virus cases locally are also expected to support consumer demand for overseas merchandise.
- On Friday, UK statistic department publishes the monthly November GDP report including industrial production and services output gauge alongside the international trade figures. The manufacturing data is likely to be positive reflecting pre-Brexit frontloading effect and given that factories were not affected by the second lockdown.
- US' December industrial production is expected to record another robust growth amid strong new orders and output gauges but the pandemic related supply bottleneck could drag on overall production. December's retail sales data, the crucial gauge of US consumer spending is likely to rebound after recent decline, in part because of the holiday shopping season.

Please refer to appendix for next week's economic calendar.

US job market prospects weakened as country facing raging pandemic. ADP fell for the first time since April.

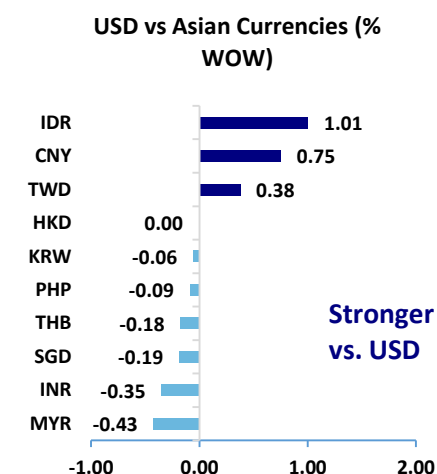
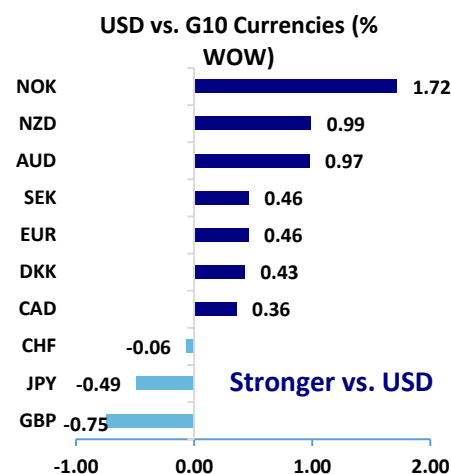


Note: NFP and ADP job losses stood at 19.4mil and 20.8mil in April respectively.

Source: Bloomberg

Foreign Exchange Market

- MYR:** MYR traded as low as 3.9957 vs the USD at the first trading day of the year, but the pair has since trended up steadily, trading at 4.0433 at time of writing, close to its intraday high of 4.0475, amid bullish USD sentiments. The pair is poised for some **technical correction** from recent losses, now that it has moved further away from oversold position and momentum indicator has turned slightly positive. However, we believe this **could be shortlived as USD weakness resumes**. We are looking at a likely range of 3.98-4.04 in the week ahead.
- USD:** Dollar broke its downtrend on 7 January, although overall DXY was 0.12% down for the week ending Thursday. PMI data was positive, although a negative ADP employment figure caused some concern. Besides, Capitol unrest and US-China relations partly contributed to some risk aversion, and the rebound. With a presidential transition ahead, dollar may resume its downtrend ahead. The Democrat sweep in the Georgia Senate elections may also help push this trend, especially if stimulus passes faster-than-expected. We are **neutral-to-bearish** on the USD for the week ahead. For the week ahead, focus is on non-farm payrolls and CPI/PPI data.
- EUR:** EUR/USD peaked at 1.2349 on 6 January and pulled back towards 1.2250 thereafter, mirroring dollar movements. We are **neutral-to-bullish** on EUR/USD for the coming week, as event risks dissipates. A breakaway from the previous 1.22-1.2320 range may see focus turn to 1.24 big figure.
- GBP:** GBP/USD peaked at 1.3704 on 4 January, helped by Brexit developments. However, concerns on domestic Covid-19 infections and US event risks soon pulled the pound to become the underperformer for the week (-0.75%). We are **neutral-to-bullish** on the GBP, as risk-off moods (from vaccination) slowly turns in the week ahead. We watch for the 1.3704 high as resistance. Should domestic concerns escalate, watch 1.336 support.
- JPY:** USD/JPY progressively moved in a bid for the week, up to a high of 104 on 8 January. This caused JPY to underperform compared to EUR and AUD, although it beat GBP. We are **neutral-to-bullish** on the JPY for the coming week, in an environment of dollar weakness (support at 102.59). Resistance at 104.45.
- AUD:** AUD/USD was supported initially by bullish sentiment, commodity price recovery and positioning. However, after touching a high of 0.782, pair retreated to 0.776 from US event risks. We are **neutral-to-bullish** on the AUD for the week ahead. We still see focus towards the 0.78-0.80 range, if US event risks come off. We stay bullish and watch for some stabilisation in momentum ahead.
- SGD:** USD/SGD started the year on an offered tone, helped by positive Singapore economic data (GDP, retail sales). After reaching a low of 1.3157, pair rebounded to around 1.3250 level swiftly. This came as US event risks caused dollar strength to return a little. Overall, SGD was slightly down for the week (ending Thursday). For the week ahead, we are constructive of USD/SGD, anticipating some modest downsides towards the 1.3162 support. This will likely come as US event risks and US-China relations sees some stabilisation after recent news. A reversal however, shifts attention towards a 1.3290 resistance.



Source: Bloomberg

Forecasts

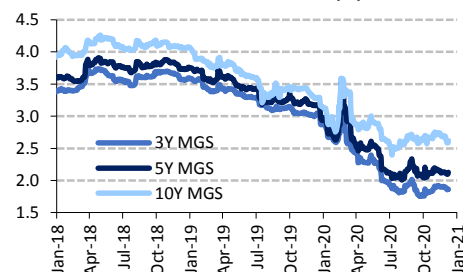
	Q1-21	Q2-21	Q3-21	Q4-21
DXY	88.50	89.00	88.50	87.50
EUR/USD	1.245	1.240	1.245	1.255
GBP/USD	1.385	1.375	1.385	1.400
AUD/USD	0.780	0.770	0.780	0.795
USD/JPY	102.5	103.5	103.0	101.0
USD/MYR	3.900	3.950	3.900	3.880
USD/SGD	1.305	1.310	1.300	1.285
	Q1-21	Q2-21	Q3-21	Q4-21
EUR/MYR	4.86	4.90	4.86	4.87
GBP/MYR	5.40	5.43	5.40	5.43
AUD/MYR	3.04	3.04	3.04	3.08
SGD/MYR	2.99	3.02	3.00	3.02

Source: HLBB Global Markets

Fixed Income

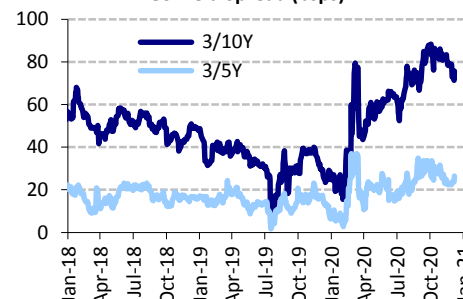
- UST:** The week under review UST movements close weaker; reacting to the Georgia state run-off elections which ultimately lead to the outright win for the Democrats. Market was driven by expectations that federal spending will increase under the one-party rule and lead to further stimulus programs/bills that may ultimately cause yields to go further up. **Overall benchmark yields rose between 2-21bps across;** causing the curve to steepen sharply. The 2Y benchmark; reflective of interest rate predictions edging 2bps higher at 0.14% whilst the much-watched 10Y (which traded within a tighter 0.91%-1.09% range); spiked 16ps at 1.08%; the highest since March 2020. **Expect all eyes on tonight's release of US NFP/payrolls for December.**
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- MYR Corporate Bonds/ Sukuk:** The week saw **upbeat investor interest** for both corporate bonds/Sukuk and Government-guaranteed bonds as most portfolio investors returned from the year-end festivity break as sentiment turned bullish with interest seen across the curve. Overall yields closed mostly mixed-to-lower amid a higher weekly market volume of RM3.0b (versus prior week's RM1.8b), resulting in an average daily of RM750m. Topping the weekly volume was energy-related bonds MANJUNG 11/31 (AAA) which rallied 10bps at 3.28%, followed by AFFIN Islamic perpetual bonds (A3) which closed 1bps lower at 4.22%. More frequent bond trades were noted in PRASA, DANA, PASB, TENAGA, JEP, MANJUNG, SEB and CIMB Perpetual bonds. **There were no new issuances for the week under review.**
- SGS:** SGS (govvies) ended mostly weaker and pressured w-o-w extending out from 5y onwards. **Overall benchmark yields closed between -3 to +12bps across the curve.** The curve was steeper with the 2Y ending 3bps lower at 0.33% level whilst the 10Y traded within a very wider 14bps range and spiked 12bps at 0.83%. Meanwhile SGD bonds have had one of their best sterling performance since 2003 with returns of ~8% in 2020 with both the 2Y and 5Y outperforming other tenures as money-market rates remained subdued. Meanwhile the SGD is seen consolidating near its highest levels since 2018, reflecting the impact of rising US yields on EM Asia currencies.

Benchmark MGS Yields (%)



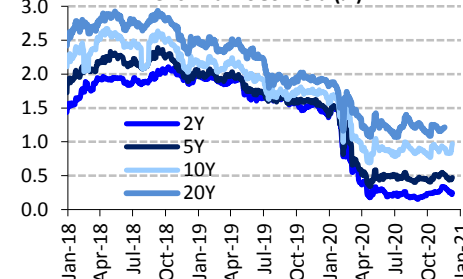
Source: Bloomberg

MGS Yield Spread (bps)



Source: Bloomberg

Benchmark SGS Yield (%)



Source: Bloomberg

Rating Actions

Issuer	PDS Description	Rating/ Outlook	Action
Citibank Berhad	Financial Institution ratings	AAA/Stable/P1	Reaffirmed
Silver Sparrow Berhad	RM515 mil Guaranteed MTN Programme (2011/2021)	AAA(fg)/AAA(bg) Stable	Reaffirmed
Bumitama Agri Ltd	RM2 bil Islamic MTN Sukuk Musharakah (2014/2029)	AA3/Stable	Reaffirmed
Cerah Sama Sdn Bhd	RM420.0 million Sukuk	AA-IS/Stable	Affirmed
Starbright Capital Berhad	RM665 mil asset-backed Medium-Term Notes	AAA/Stable	Reaffirmed
Bank Islam Malaysia Berhad	Financial Institution ratings	AA3/Stable/P1	Reaffirmed
UiTM Solar Power Dua Sdn Bhd's (UiTM Solar 2)	UiTM Solar Power Dua Sdn Bhd's (UiTM Solar 2)	AA-IS/Stable	Assigned

Source: MARC/RAM

Economic Calendar

Date	Time	Country	Event	Period	Prior	
14/12	05:30	NZ	Performance Services Index	Nov	51.4	
	07:50	JN	Tankan Large Mfg Index	4Q	-27.0	
	07:50	JN	Tankan Large Non-Mfg Index	4Q	-12.0	
	12:30	JN	Industrial Production MoM	Oct F	3.8%	
	12:30	JN	Industrial Production YoY	Oct F	-3.2%	
	18:00	EC	Industrial Production SA MoM	Oct	-0.4%	
15/12	08:30	AU	RBA Minutes of Dec. Policy Meeting			
	10:00	CH	Industrial Production YoY	Nov	6.9%	
	10:00	CH	Retail Sales YoY	Nov	4.3%	
	10:00	CH	Fixed Assets Ex Rural YTD YoY	Nov	1.8%	
	15:00	UK	Jobless Claims Change	Nov	-29.8k	
	15:00	UK	ILO Unemployment Rate 3Mths	Oct	4.8%	
	15:00	UK	Employment Change 3M/3M	Oct	-164k	
	21:30	US	Empire Manufacturing	Dec	6.3	
	21:30	US	Import Price Index YoY	Nov	-1.0%	
	22:15	US	Industrial Production MoM	Nov	1.1%	
16/12	06:00	AU	Markit Australia PMI Services	Dec P	55.1	
	06:00	AU	Markit Australia PMI Mfg	Dec P	55.8	
	07:30	AU	Westpac Leading Index MoM	Nov	0.11%	
	07:50	JN	Trade Balance Adjusted	Nov	¥314.3b	
	07:50	JN	Exports YoY	Nov	-0.2%	
	08:30	JN	Jibun Bank Japan PMI Mfg	Dec P	49.0	
	08:30	JN	Jibun Bank Japan PMI Services	Dec P	47.8	
	15:00	UK	CPI YoY	Nov	0.7%	
	17:00	EC	Markit Eurozone Manufacturing PMI	Dec P	53.8	
	17:00	EC	Markit Eurozone Services PMI	Dec P	--	
	17:30	UK	Markit UK PMI Manufacturing SA	Dec P	55.6	
	17:30	UK	Markit/CIPS UK Services PMI	Dec P	--	
	18:00	EC	Trade Balance SA	Oct	24.0b	
	20:00	US	MBA Mortgage Applications	Dec-11	--	
	21:30	US	Retail Sales Advance MoM	Nov	0.3%	
	22:45	US	Markit US Manufacturing PMI	Dec P	56.7	
	22:45	US	Markit US Services PMI	Dec P	--	
	23:00	US	NAHB Housing Market Index	Dec	90.0	
	17/12	03:00	US	FOMC Rate Decision (Upper Bound)	Dec-16	0.25%
05:45		NZ	GDP SA QoQ	3Q	-12.2%	
08:30		SI	Non-oil Domestic Exports YoY	Nov	-3.1%	
08:30		AU	Employment Change	Nov	178.8k	
08:30		AU	Unemployment Rate	Nov	7.0%	
18:00		EC	CPI YoY	Nov F	-0.3%	
20:00		UK	Bank of England Bank Rate	Dec-17	0.1%	
21:30		US	Building Permits MoM	Nov	-0.1%	
21:30		US	Philadelphia Fed Business Outlook	Dec	26.3	
21:30		US	Initial Jobless Claims	Dec-12	--	
21:30		US	Housing Starts MoM	Nov	4.9%	
18/12		00:00	US	Kansas City Fed Manf. Activity	Dec	11
		05:00	NZ	ANZ Consumer Confidence Index	Dec	106.9
	05:45	NZ	Trade Balance 12 Mth YTD NZD	Nov	2191m	
	07:30	JN	Natl CPI Ex Fresh Food YoY	Nov	-0.7%	
	08:00	NZ	ANZ Business Confidence	Dec F	-6.9	
	08:01	UK	GfK Consumer Confidence	Dec	-33	
	15:00	UK	Retail Sales Inc Auto Fuel MoM	Nov	1.2%	
	23:00	US	Leading Index	Nov	0.7%	
	00:00	JN	BOJ Policy Balance Rate	Dec-18	-0.1%	

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
Email: HLMarkets@hlbb.hongleong.com.my

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