Global Markets Research
Weekly Market Highlights

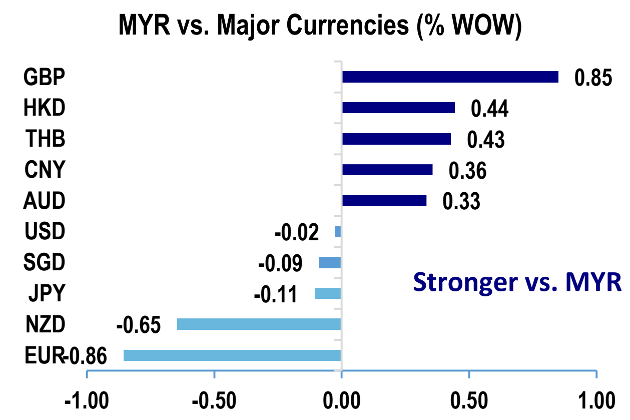
Markets

	Last Closing	WOW%	YTD %
Dow Jones Ind.	30,991.52	-0.2	1.3
S&P 500	3,795.54	-0.2	1.1
FTSE 100	6,801.96	-0.8	5.3
Hang Seng	28,496.86	3.4	4.6
KLCI	1,635.71	2.0	0.5
STI	3,000.00	3.2	5.5
Dollar Index	90.24	0.5	0.3
WTI oil ($/bbl)	53.57	5.4	10.4
Brent oil ($/bbl)	56.42	3.8	8.9
Gold ($/oz)	1,851.40	-3.3	-2.4

Source: Bloomberg

- US stocks ended on a flat note w/w as of Thursday in another eventful week on the political front. President Trump's second impeachment dominated headlines as the House failed to push VP Mike Pence to invoke the 25th Amendment. Investors largely looked past the event and focused instead on President-elect Joe Biden's stimulus announcement. Biden said that his administration would seek a $1.9 trillion aid package from Congress.
- Fed Chair Jerome Powell pared back market's expectations that the central bank might taper its bond-buying program and start raising rates this year. The Bank of England governor Andrew Bailey also brushed off speculations of cutting bank rate to negative level. The US Labour Department said that 965k individuals filed for jobless benefits for the first time last week; US CPI rose more than expected by 0.4% m/m in December, thanks to a jump in gasoline prices. China recorded robust trade performances in December, suggesting an upbeat reading of its 4Q GDP due next week.

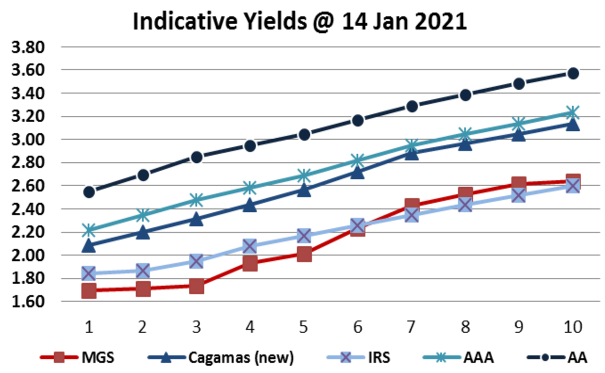
Forex



Source: Bloomberg

- **MYR** saw more volatile moves the last five days, from a 4.0285 low last Friday to as high as 4.0760 on Tuesday in a knee-jerk reaction to the declaration of State of Emergency by the King, just within hours after the Prime Minister announced the reinstatement of stricter movement control measures in selected states to contain the surging Covid-19 cases. USD/MYR was however quick to normalize and has been hovering within the 4.04-4.05 big figures, due in part to USD strength, ended the week flat. Additional stimulus aids as proposed by Biden coupled with the Fed pledge for extended accommodation are expected to keep USD supported, hence likely keeping **USD/MYR slightly bullish** in range of 4.03-4.08 in the week ahead. BNM MPC meeting will be key event risk now market has increased pricing for an easing.
- **USD** continued to move up over the past week. DXY gained 0.46% w/w (ending Thursday). Data (NFP, initial jobless claims) showed some deterioration in labour market fundamentals. Markets were skeptical about President-elect Biden's $1.9trn stimulus plan, worried about some pushback from the Congress. We are **neutral-to-bullish** on the USD for the week ahead. Focus is on US Presidential inauguration. Data focus is on retail sales, industrial production, and January preliminary PMIs.

Fixed Income



Source: Bloomberg

- The week under review saw UST yields close weaker; as fears dominated on news that the Biden-led administration would embark on another stimulus bill beginning with a $1.9 trillion. Interestingly however, the auctions of $38b of 10Y and $24b of 30Y bonds saw strong bidding metrics. **Overall benchmark yields rose between 0-5bps bps across;** causing the curve to steepen extending up to 20Y tenures. Meanwhile Fed Chair Powell reiterated that rates are not expected to be raised anytime soon and offered no indication of a QE tapering this year. **Expect bond yields to be range-bound with slight upward bias for the upcoming week.**

Local govvies saw upbeat secondary market activity @ RM14.7b as strong bids made their way back especially into the short-ends mid-week onwards. **Overall benchmark MGS/GII yields closed mostly mixed between -10 to +15bps with the longer-ends pressured.** Interest was seen mainly in the off-the-run 21-22's and also benchmark 3Y, 5Y, 10Y, 15Y MGS/GII bonds. The new issuance of 15Y GII 7/36 @ BTC ratio of 2.917x and awarded at 3.447%. **Expect the continued rise in foreign holdings of MYR bonds to boost confidence.**

Macroeconomic Updates

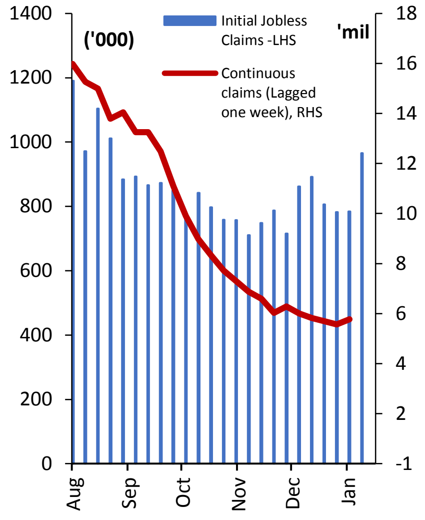
- **US stocks ended on a flat note w/w as of Thursday** in another eventful week on the political front. President Trump's second impeachment dominated headlines as the House failed to push VP Mike Pence to invoke the 25th Amendment. Investors largely looked past the event and focused instead on President-elect Joe Biden's stimulus announcement. Biden said that his administration would seek a $1.9 trillion aid package from Congress that include a $1400 direct payment to households. Stocks were up in Europe but fell in the UK Asian equities recorded mixed performances on a weekly basis. Crude oil prices rallied further this week, boosted by economic recovery potentials.

- **Fed Chair Jerome Powell** pared back market's expectations that the central bank might taper its bond-buying program and start raising rates this year in view of recent gain in bond yields that were spurred by bullish fiscal sentiment. **The Bank of England governor Andrew Bailey** also brushed off speculations of cutting bank rate to negative level, as the Covid-19 pandemic deteriorated in the UK, clouding the outlook of post-Brexit UK.

- **The US Labour Department said that 965k individuals** filed for jobless benefits for the first time last week; the sharper increase in filings came as the retrechment of workers in the retail, leisure and hospitality sectors extended into January when businesses struggled to survive tighter restrictions in some states. US CPI rose more than expected by 0.4% m/m in December, thanks to a jump in gasoline prices. The underlying inflation however remained muted.

- **China recorded robust trade performances in December,** suggesting an upbeat reading of its 4Q GDP due next week. Apart from that, both CPI and PPI inflation data have also improved in the same period; positive CPI indicates stronger consumer spending while the narrowing of PPI deflation is good news for factory profit margins.

More Americans filed for unemployment benefits last week…



Source: Bloomberg

The Week Ahead…

- China's 4Q GDP data due Monday morning alongside other monthly economic indicators are the major focus at the start of the week. Some recap: Real GDP contracted by 6.8% y/y in 1Q when the Covid-19 pandemic first hit the country, followed by subsequent rebounds of 3.2% y/y and 4.9% y/y in 2Q and 3Q. Consensus forecast called for a robust 6.2% y/y growth, judging from strong performances of key indicators.

- Dataflow are lighter on Tuesday, limiting to New Zealand retail card spending and the Germany's ZEW Investor Surveys that offer some gauge of German investors' outlook/sentiment with regards to Germany and the broader Euro Area.

- **Malaysia's BNM is set to announce its latest policy rate decision on Wednesday; it is likely to maintain OPR at the current 1.75% and flagged MCO-related economic concerns.** UK and Eurozone's CPI inflation due same day are expected to remain subdued in December.

- Thursday begins with Australia's job report, a key driver for AUD/USD, followed by two key central banks' meeting decisions. The BOJ is expected to release its outlook report. Markets are looking for any recalibration of its inflation targeting policy. ECB's Governing Council Statement and Christine Lagarde's press conference are due later of the day. ECB is likely to maintain current stance after enhancing its QE program in December. Other key data include US housing starts and building permits numbers.

- On Friday, New Zealand, Japan and Malaysia published their CPI data; Australia's retail sales are also on the deck. Focus is likely on the preliminary Markit PMI surveys for the US, UK, Eurozone and Japan. Watch out for UK's retail sales and US' existing home sales before the week ends.

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

Foreign Exchange Market

- MYR saw more volatile moves the last five days, from a 4.0285 low last Friday to as high as 4.0760 on Tuesday in a knee-jerk reaction to the declaration of State of Emergency by the King, just within hours after the Prime Minister announced the reinstatement of stricter movement control measures in selected states to contain the surging Covid-19 cases. USD/MYR was however quick to normalize and has been hovering within the 4.04-4.05 big figures, due in part to USD strength, ending the week flat. Additional stimulus aids as proposed by Biden coupled with the Fed pledge for extended accommodation are expected to keep USD supported, hence likely keeping **USD/MYR slightly bullish** in range of 4.03-4.08 in the week ahead. BNM MPC meeting will be key event risk now market has increased pricing for an easing.

- **USD**: Dollar continued to move up over the past week. DXY gained 0.46% w/w (ending Thursday). Data (NFP, initial jobless claims) showed some deterioration in labour market fundamentals. Markets were sceptical about President-elect Biden's $1.9trn stimulus plan, worried about some pushback from the Congress. We are **neutral-to-bullish** on the USD for the week ahead. Focus is on events like US Presidential inauguration. Data focus is on retail sales, industrial production, and January preliminary PMIs.

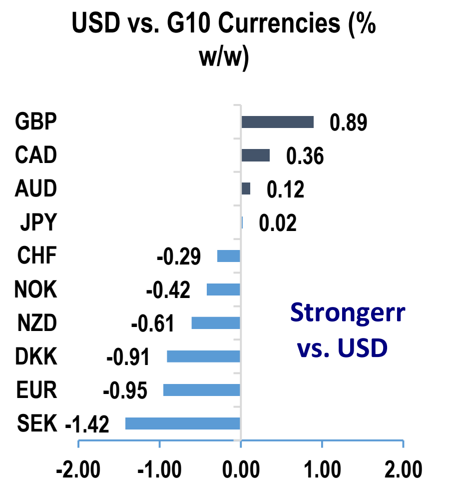
- **EUR**: EUR/USD weakened as the dollar strengthened, reaching a low of 1.2111 on 14 January, after closing at 1.2272 on 7 January. November retail sales was weak and underperformed expectations, signalling some downsides in December from lockdowns. We are **neutral-to-bearish** on EUR/USD for the coming week, partly from event risks and soft fundamentals. A breakaway from the previous 1.2100-1.2250 range may see momentum either way.

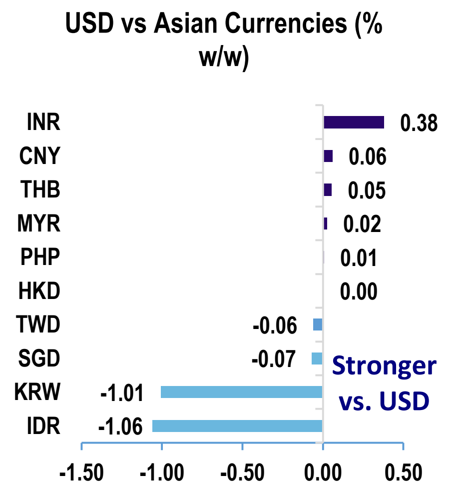
- **GBP**: GBP outperformed compared to the EUR and USD, GBP/USD was up 0.89% w/w. This was helped by Bank of England's ruling out of negative interest rates for now. We are **neutral-to-bearish** on the GBP, after recent highs and as much of the UK stays locked down. Anticipate weekly range of 1.3490-1.3760, with a break signalling at some momentum.

- **JPY**: USD/JPY partially retracted prior upward moves, following the 104.40 high on 11 January. We are **neutral-to-bearish** on the JPY for the coming week, in an environment of dollar strength (support at 102.71). Resistance at 104.45. Bank of Japan announces policy rate decision on 21 January, which focus will likely be whether they will downgrade their assessment of the economy.

- **AUD**: AUD/USD struggled to reach the 0.7820 high on 6 January, although touching 0.78 big figure on 14 January. Still, pair was slightly up helped by rising commodity prices. We are **neutral-to-bearish** on the AUD for the week ahead. We still see focus towards the 0.78-0.80 range, if US event risks come off. First resistance around 0.77 big figure.

- **SGD**: USD/SGD was 0.07% up for the past week (Friday to Thursday). SGD was resilient despite the dollar resurgence, which saw DXY with a 0.46% w/w gain. We are **neutral** on the USD/SGD for the week ahead, concerned about near-term volatility from the dollar. US fundamentals have deteriorated, while there is some market uncertainty regarding its fiscal and monetary policy initiatives. For the week ahead, NODX figures may support the notion of continued fundamental resilience in Singapore.





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

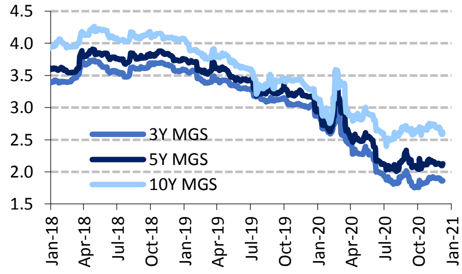
- **UST:** The week under review saw UST yields close weaker; despite weaker NFP/jobs report and also initial jobless claims as fears overwhelmed investors on news that the Biden-led administration would embark on another stimulus bill beginning with a $1.9 trillion. Interestingly however, the auctions of $38b of 10Y (awarded at 1.164%) and $24b of 30Y bonds which altogether saw strong bidding metrics of 2.47x (awarded at 1.825%) each. **Overall benchmark yields rose between 0-5bps bps across;** causing the curve to steepen extending up to 20Y tenures. The benchmark UST 2Y; reflective of interest rate predictions was unchanged at 0.14% whilst the much-watched 10Y (which traded within a tighter 1.08%-1.15% range); spiked 5ps at 1.15%. Meanwhile Fed Chair Powell reiterated that rates are not expected to be raised anytime soon and offered no indication of a QE tapering this year. **Expect bond yields to be range-bound with slight upward bias for the upcoming week.**

- **MYR Government Bonds:** Local govvies saw upbeat secondary market activity as strong bids made their way back especially into the short-ends mid-week onwards. **Overall benchmark MGS/GII yields closed mostly mixed between -10 to +15bps with the longer-ends pressured.** Interest was seen mainly in the off-the-run 21-22's and also benchmark 3Y, 5Y, 10Y, 15Y MGS/GII bonds. The benchmark 5Y MGS 9/25 rallied 11bps at 2.01% (just off the recent low of 2.00%) whilst the 10Y MGS 4/31 benchmark spiked 10bps instead at 2.63% levels. Total secondary market volume however improved @ RM14.7b versus prior week's tepid RM6.8b. The 2nd auction exercise for the year saw solid bidding metrics for the new issuance of 15Y GII 7/36 @ BTC ratio of 2.917x and awarded at 3.447%. **Expect the continued rise in foreign holdings of MYR bonds to boost confidence.**

- **MYR Coporate Bonds/ Sukuk:** The week saw slightly lower investor participation in the secondary market for both corporate bonds/Sukuk and Govt-guaranteed bonds with most portfolio investors reassessing their appetite. Overall interest was mainly seen across the GG-AA part of the curve as yields closed mostly mixed-to-lower amid a lower weekly market volume of RM2.03b (average daily of RM406m) versus prior week's RM3.0b (average daily of RM750m). Topping the weekly volume was energy-related bonds JEP 24's 11/31 (AA3) which rallied 2-5bps between 3.01-07% levels followed by DANAINFRA 5/28 (GG) which rose 4bps instead at 2.85%. More frequent bond trades were noted in PRASA, DANA, CAGAMAS, TENAGA, PKNS, JEP, EDRA and YNH Properties Perpetual bonds. Meanwhile there were no new issuances for the 2nd week in a row.

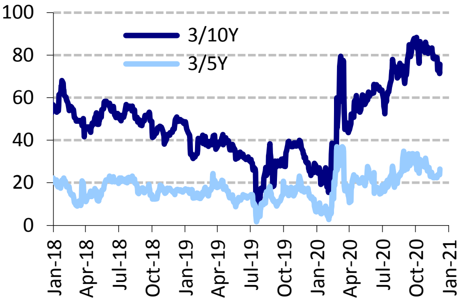
- **SGS:** SGS (govvies) saw lesser volatility and ended marginally mixed w/w with overall benchmark yields closing between -2 to +1bps across the curve. The 2Y closed unchanged at 0.23% level whilst the 10Y traded within a tight 3bps range and edged 1bps up at 0.95%. Meanwhile SGD stayed in a narrow range of about 100pips for the week under review; as rising US yields may stem the slide in the USDSGD pair. Separately, Singapore Airlines Ltd's inaugural SGD500m 5.5Y dollar bonds rose on demand; narrowing from 260bps over UST's to about 232bps. Separately Singapore HDB successfully arranged a SGD?? 5Y bond at 0.365%.

Benchmark MGS Yields (%)



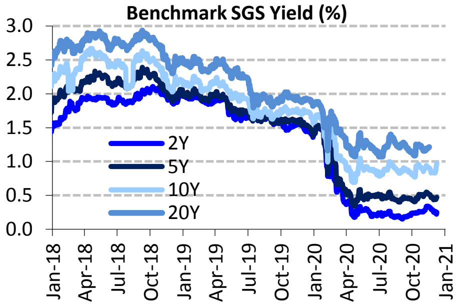
Source: Bloomberg

MGS Yield Spread (bsps)



Source: Bloomberg

Benchmark SGS Yield (%)



Source: Bloomberg

Rating Actions

Issuer	PDS Description	Rating/ Outlook	Action
Berjaya Land Berhad	RM500.0 million Medium-Term Notes (MTN) Programme guaranteed by Danajamin Nasional Berhad	AAA(FG)/Stable	Affirmed
	M150.0 million MTN Programme guaranteed by OCBC Bank (Malaysia) Berhad (OCBC Malaysia)	AAA(BG)/Stable	Affirmed
Standard Chartered Bank Malaysia Berhad	Financial Institution rating	AAA/Stable/P1	Affirmed
EKVE Sdn Bhd	Guaranteed Sukuk Murabahah Facility of up to RM1 bil in Nominal Value	AAA(BG)/Stable	Reaffirmed
Gulf Investment Corporation G.S.C.'s (GIC or the Corporation)	Corporate Credit ratings	AAA/Stable/P1	Reaffirmed
George Kent (Malaysia) Berhad	Proposed RM100.0 million Islamic Commercial Papers (ICP) Programme and RM500.0 million Islamic Medium-Term Notes (IMTN)	MARC-1 IS and A+IS	Reaffirmed Assigned
Dynasty Harmony Sdn Bhd	RM165 mil Islamic Medium-Term Notes (IMTN) (2018/2033)	AA3/Stable	Reaffirmed

Source: MARC/RAM

Economic Calendar

Date	Time	Country	Event	Period	Prior
18/01	08:30	SG	Non-oil Domestic Exports YoY	Dec	-4.9%
	10:00	CN	GDP YoY	4Q	4.9%
	10:00	CN	Industrial Production YoY	Dec	7.0%
	10:00	CN	Retail Sales YoY	Dec	5.0%
	10:00	CN	Fixed Assets Ex Rural YTD YoY	Dec	2.6%
	12:30	JP	Industrial Production MoM	Nov F	0.0%
	00:00	UK	Rightmove House Prices YoY	Jan	6.6%
19/01	05:45	NZ	Card Spending Retail MoM	Dec	0.1%
	18:00	EU	ZEW Survey Expectations	Jan	54.4
20/01	07:30	AU	Westpac Consumer Conf Index	Jan	112.0
	15:00	UK	CPI YoY	Dec	0.3%
	15:00	MA	BNM Overnight Policy Rate	20 Jan	1.75%
	18:00	EU	CPI YoY	Dec F	-0.3%
	20:00	US	MBA Mortgage Applications	Jan-15	16.7%
	23:00	US	NAHB Housing Market Index	Jan	86.0
21/01	07:50	JP	Exports YoY	Dec	-4.2%
	08:30	AU	Participation Rate	Dec	66.1%
	08:30	AU	Employment Change	Dec	90.0k
	08:30	AU	Unemployment Rate	Dec	6.8%
	16:30	HK	CPI Composite YoY	Dec	-0.2%
	20:45	EU	ECB Deposit Facility Rate	21 Jan	-0.5%
	21:30	US	Building Permits MoM	Dec	5.9%
	21:30	US	Initial Jobless Claims	16 Jan	--
	21:30	US	Housing Starts MoM	Dec	1.2%
	21:30	US	Philadelphia Fed Business Outlook	Jan	11.1
	23:00	EU	Consumer Confidence	Jan A	-13.9
	00:00	JP	BOJ Policy Balance Rate	21 Jan	-0.1%
22/01	05:30	NZ	BusinessNZ Manufacturing PMI	Dec	55.3
	05:45	NZ	CPI YoY	4Q	1.4%
	07:30	JP	Natl CPI Ex Fresh Food YoY	Dec	-0.9%
	08:30	JP	Jibun Bank Japan PMI Mfg	Jan P	50.0
	08:30	JP	Jibun Bank Japan PMI Services	Jan P	47.7
	08:30	AU	Retail Sales MoM	Dec P	7.1%
	12:00	MA	CPI YoY	Dec	-1.7%
	15:00	MA	Foreign Reserves	15 Jan	$107.6b
	15:00	UK	Retail Sales Inc Auto Fuel MoM	Dec	-3.8%
	15:00	UK	Public Sector Net Borrowing	Dec	30.8b
	17:00	EU	Markit Eurozone Manufacturing PMI	Jan P	55.2
	17:00	EU	Markit Eurozone Services PMI	Jan P	46.4
	17:30	UK	Markit UK PMI Manufacturing SA	Jan P	57.5
	17:30	UK	Markit/CIPS UK Services PMI	Jan P	49.4
	18:00	UK	GfK Consumer Confidence	Jan	-26.0
	22:45	US	Markit US Manufacturing PMI	Jan P	57.1
	22:45	US	Markit US Services PMI	Jan P	54.8
	23:00	US	Existing Home Sales MoM	Dec	-2.5%

Source: Bloomberg

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