

Global Markets Research

Weekly Market Highlights

Markets

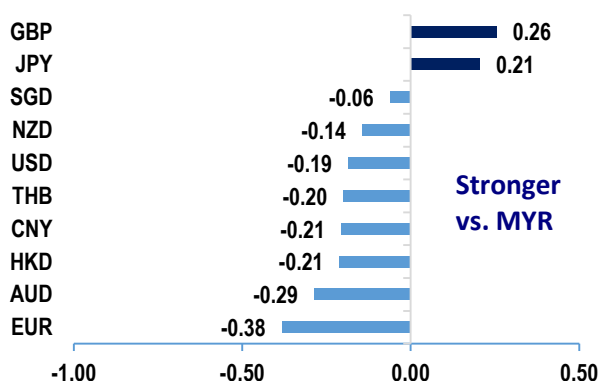
	Last Closing	WOW%	YTD %
Dow Jones Ind.	30,991.52	0.6	1.9
S&P 500	3,795.54	1.5	2.6
FTSE 100	6,801.96	-1.3	3.9
Hang Seng	28,496.86	5.0	9.9
KLCI	1,635.71	-2.5	-2.0
STI	3,000.00	0.6	6.1
Dollar Index	90.24	-0.1	0.2
WTI oil (\$/bbl)	53.57	-0.8	9.4
Brent oil (\$/bbl)	56.42	-0.6	8.3
Gold (\$/oz)	1,851.40	0.8	-1.3

Source: Bloomberg

- Joe Biden was sworn in as the 46th President of the United States this week and markets rejoiced at the prospect of more fiscal stimulus to support the economy. Stocks rallied to record highs following the inaugurations, partly propelled by upbeat banks' earnings and Netflix's gigantic 200mil subscribers news. The BOJ and ECB both kept their monetary policies intact as widely expected. BNM also left OPR unchanged and maintained a neutral tone, pushing back some expectations that it would cut rate.
- Notably, China's GDP growth came in at 2.3% for 2020, defying the global trend of a contraction and cementing itself as the world's growth powerhouse while other majors were still reeling from the pandemic-related shocks. US initial jobless claims fell by 26k to 900k last week; this is still a substantial number of new claims, indicating that firms continued to lay off employees in January as the coronavirus surged. Inflation data were mixed across the world as prices fell in Japan and Hong Kong and the Eurozone but rose in the UK and New Zealand. FOMC, or rather Fed Chair Powell's press conference will take center stage next week, along with first estimate of 4Q GDP.

Forex

MYR vs. Major Currencies (% w/w)

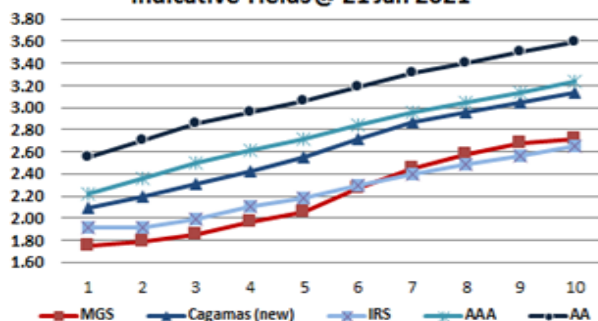


Source: Bloomberg

- MYR traded on a steadier note within the 4.03-4.45 big figures for most part of the week before closing at a low of 4.0290 yesterday. Renewed USD weakness amid vaccine and stimulus optimism in the run-up to President Biden inauguration dominated the larger markets. MYR also broke away from its cautious trading after BNM decision to maintain OPR and neutral policy tone on Wednesday and strengthened further on Thursday, resulting in a 0.2% gain w/w. We are **slightly bullish on MYR** in a holiday-shortened week ahead anticipating an improvement in risk sentiments with major event risks behind us. FOMC meeting will unlikely spring any surprises.
- USD: The dollar has weakened after peaking on 18 January. Overall, DXY was down by 0.12% w/w (15 to 21 January). US inauguration and some executive orders by President Biden helped stabilise expectations against event risks, that he will push his agenda ahead. This comes as retail sales fell below expectations and initial jobless claims came off slightly from previous week. We are **neutral-to-bearish** on the USD for the week ahead. For the week ahead, focus is on FOMC decision on 28 January, after ECB and BOJ meetings. Markets will likely anticipate whether Fed will keep its bullets for now, similar to other major central banks. Also PMI data for January can show whether economic deterioration worsened.

Fixed Income

Indicative Yields @ 21 Jan 2021



Source: Bloomberg

- UST: The week under review saw UST's end slightly stronger following the smooth transition of the inauguration ceremony of Biden as POTUS. Overall benchmark yields declined between 1-3bps across; causing the curve to shift slightly lower. The benchmark UST 2Y yields edged 1bps lower at 0.13% whilst the much-watched 10Y fell 3bps at 1.10%. The \$24b 20Y auction notched a mere BTC ratio of 2.28x, below the 2.39x seen in December, and was awarded at 1.657%. Meanwhile, Treasury Secretary designate Yellen is determined to review current Treasury practices, including debt issuances, weighted-average maturities whilst having the right mix of federal debt instruments.
- MGS/GII: Local govies saw improved trajectory in secondary market activity especially into the short-ends following BNM's decision to maintain the OPR at 1.75%. Overall benchmark MGS/GII yields closed mostly mixed-to-higher between -6 to +9bps for MGS/GII 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 rose 6bps at 2.07% whilst the 10Y MGS 4/31 benchmark spiked 9bps at 2.72% levels. Total secondary market volume however improved @ RM24.9b versus prior week's tepid RM16.9b. The 3rd auction exercise for the year saw average bidding metrics for the reopening of RM4.0b 10Y MGS 7/36 @ BTC ratio of 1.992x and awarded at 2.714%. Expect trading to be range-bound in the absence of further catalysts following BNM's OPR rate decision.

Macroeconomic Updates

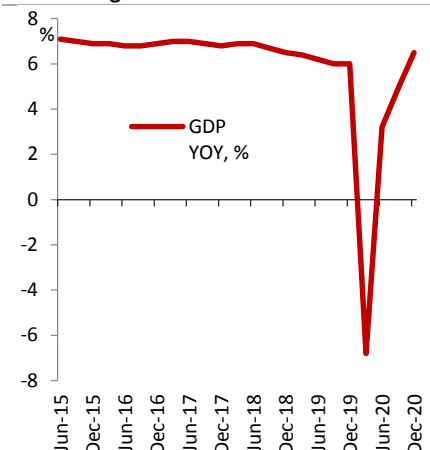
- Joe Biden was sworn in as the 46th President of the United States this week and markets rejoiced** at the prospect of more fiscal stimulus to support the economy. Stocks rallied to record highs following the inauguration, partly propelled by upbeat banks' earnings and Netflix's gigantic 200mil subscribers news. **On the same day, the President signed 10 executive orders to reverse some of the Trump Administration's policies.** He also jumpstarted a comprehensive Covid-19 plan that involves setting up mass vaccination sites across the country. **This comes as the US continued to record north of 100k new cases on a daily basis while the death tolls have now surpassed 400k, the largest in the world. In Europe, Germany extended lockdown to February and warned of borders closure should other European nations failed to co-operate.**
- The BOJ and ECB both kept their monetary policies intact as widely expected.** The ECB offered some hope that vaccinations might help resolve this health crisis but did not rule out the adverse development of the pandemic. Risks to the euro area's outlook thus remained tilted to the downside although "less pronounced". The BOJ said that Japan's economy could improved modestly as the impact of the pandemic wanes; it was more downbeat over the current quarter's economic outlook based on its newly revised forecasts. **BNM left OPR unchanged at 1.75%** and its neutral policy tone pushed back on recent expectations of further downward adjustment in the benchmark rate.
- China's GDP growth came in at 2.3% for 2020 after taking into account the 6.5% y/y growth in the fourth quarter,** defying the global trend of a contraction and cementing itself as the world's growth powerhouse while other majors were still reeling from the pandemic-related shocks.
- US initial jobless claims fell by 26k to 900k last week;** this is still a substantial number of new claims, indicating that firms continued to lay off employees in January as the coronavirus surged. Notably, homebuilding activities are very robust as developers rushed to satiate housing demand in the US where inventory remains lean.
- Inflation data were mixed across the word;** Japan and Hong Kong recorded steeper fall in consumer prices while prices rose in the UK and New Zealand. The euro area meanwhile saw steady decline in its HICP inflation index.

The Week Ahead...

- Key data next week are the UK's job data which are due Tuesday; November readings for job changes and unemployment rate are likely to worsen from the poor records in October as the government imposed lockdowns to contain the contagious strain.
- On Wednesday, Australia releases the 4Q CPI data. China also publishes its industrial profit figure. Smaller factory deflation is likely contributing to higher margins. Other than that, US durable goods orders, a gauge of domestic demand is slated for evening's release.
- On Thursday, the Fed is likely to maintain its monetary policy, keeping the fed funds rate at 0-0.25%. Investors would pay attentions to Chair Jerome Powell's press conference; focus should be on the higher US yields in recent weeks. On the same day, the BEA also publishes the first estimate of US' 4Q GDP, another major market driver.
- Last but not least on Friday, Japan's jobless data and industrial productions are scheduled for morning's release, followed by Malaysia's exports and Hong Kong advanced GDP estimate. US data include the personal income and spending report alongside pending home sales and University of Michigan Consumer Sentiment.

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

China's economy roared back to life after containing the outbreak



Source: Bloomberg, CEIC

Foreign Exchange Market

- **MYR** traded on a steadier note within the 4.03-4.45 big figures for most part of the week before closing at a low of 4.0290 yesterday. Renewed USD weakness amid vaccine and stimulus optimism in the run-up to President Biden inauguration dominated the larger markets. MYR also broke away from its cautious trading after BNM decision to maintain OPR and neutral policy tone on Wednesday and strengthened further on Thursday, resulting in a 0.2% gain w/w. We are **slightly bullish on MYR** in a holiday-shortened week ahead anticipating an improvement in risk sentiments with major event risks behind us. FOMC meeting will unlikely spring any surprises.

- **USD**: The dollar has weakened after peaking on 18 January. Overall, DXY was down by 0.12% w/w (15 to 21 January). US inauguration and some executive orders by President Biden helped stabilise expectations against event risks, that he will push his agenda ahead. This comes as retail sales fell below expectations and initial jobless claims came off slightly from previous week. We are **neutral-to-bearish** on the USD for the week ahead. For the week ahead, focus is on FOMC decision on 28 January, after ECB and BOJ meetings. Markets will likely anticipate whether Fed will keep its bullets for now, similar to other major central banks. Also PMI data for January can show whether economic deterioration worsened.

- **EUR**: EUR/USD recovered from a low of 1.2054 on 18 January, to close 21 January at 1.2164. Still it underperformed vs other G10 currencies, in line with our view. This came as ECB held off from easing further, despite expecting a dip in economic activity. However, ECB is seeking new gauges by March for data on whether to increase support. We stay **neutral** on the EUR, as market attention may turn to fundamentals after recent recovery in risk sentiments. Focus is on PMIs and confidence indices. We see resistance at 1.2349, and a pullback to 100-day MA of 1.1942 as a bearish trend signal.

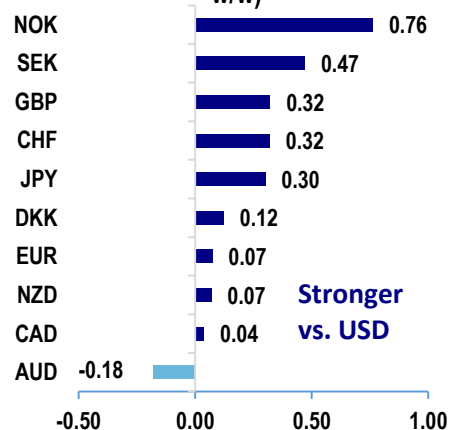
- **GBP**: GBP outperformed other G10 currencies, with GBP/USD breaking the 1.37 big figure on 21 January. Levels are highest since May 2018, post-Brexit. We are **neutral-to-bullish** on the GBP. Anticipate weekly range of 1.3490-1.3800. We see some stretched levels close to 1.38 big figure, particular as market turn attention away from sentiments to fundamentals. Focus is on Covid-19 situation and PMI figures.

- **JPY**: USD/JPY progressively came off after 19 January's high around 104.00. Thursday's close brought pair to 103.50, after Bank of Japan kept policy settings unchanged. Governor Kuroda said that it is important to keep the yield curve low after the pandemic. We are **neutral** on the JPY for the coming week, in an environment of slight dollar weakness. We watch for range of 103.00-104.40, with a breakaway signalling at some momentum either way.

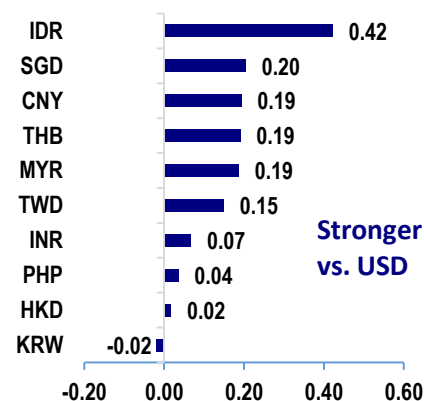
- **AUD**: AUD/USD rebounded from a low of 0.7659 on 18 January and peaked around 0.7780 on 21 January. Markit Composite PMIs came in strongly at 56 in January, from 56.6 a month ago. We are **neutral-to-bullish** on the AUD for the week ahead. We still see focus towards the 0.78-0.80 range, supported by the rally in commodity prices. Support at 0.7650. For the week ahead, data focus is on CPI, where markets expect some stability.

SGD: USD/SGD has been trending lower since the 18 January high of 1.3336. After US President inauguration and some major central bank meetings, focus will likely turn back to fundamentals. For the week ahead, focus turns to Singapore inflation. Industrial production is likely to stay supportive of growth, in our view. We now turn **slightly bullish** on the currency, expecting modest gains against the dollar in the week ahead. The recent community cases in Singapore and warnings that Singapore may tighten activity regulations may stem strong SGD gains. For USD/SGD, we eye weekly support of 1.3162 (close to 6 January low). Resistance at 1.3360.

USD vs. G10 Currencies (% w/w)



USD vs Asian Currencies (% w/w)



Source: Bloomberg

Forecasts

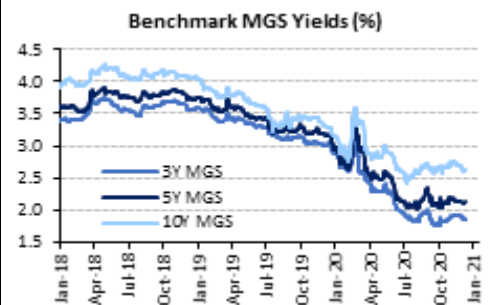
	Q1-21	Q2-21	Q3-21	Q4-21
DXY	88.50	89.00	88.50	87.50
EUR/USD	1.245	1.240	1.245	1.255
GBP/USD	1.385	1.375	1.385	1.400
AUD/USD	0.780	0.770	0.780	0.795
USD/JPY	102.5	103.5	103.0	101.0
USD/MYR	3.900	3.950	3.900	3.880
USD/SGD	1.305	1.310	1.300	1.285

	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

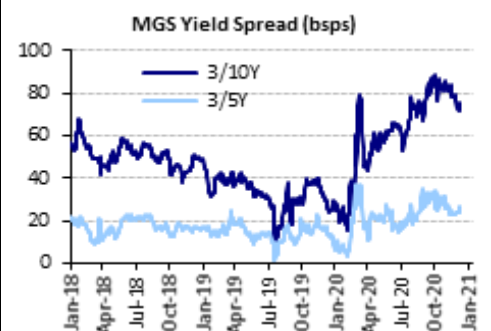
Source: HLBB Global Markets

Fixed Income

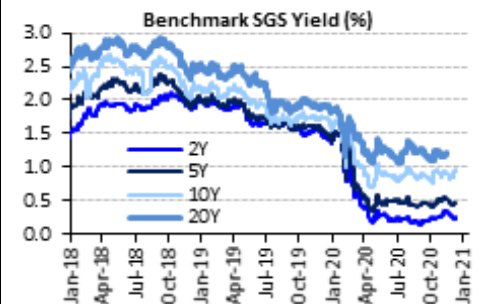
- UST:** The week under review saw UST's end slightly stronger following the smooth transition of the inauguration ceremony of Biden as POTUS. Overall benchmark yields declined between 1-3bps across; causing the curve to shift slightly lower. The benchmark UST 2Y; reflective of interest rate predictions edged 1bps lower at 0.13% whilst the much-watched 10Y (which traded within a fairly tight 1.08%-1.13% range); fell 3ps at 1.10%. The \$24b 20Y auction notched a mere BTC ratio of 2.28x, below the 2.39x seen in December, and was awarded at a 1.657%. Elsewhere China's holdings of UST's rose by \$9.0b in November to \$1.06 trillion, following 5 prior months of successive declines whilst Japan's holdings fell \$8.7b to \$1.26 trillion. Meanwhile, Treasury Secretary designate Yellen is determined to review current Treasury practices, including debt issuances, weighted-average maturities whilst having the right mix of federal debt instruments.
- MGS/GII:** Local govies saw improved trajectory in secondary market activity especially into the short-ends following BNM's decision to maintain the OPR at 1.75%. Overall benchmark MGS/GII yields closed mostly mixed-to-higher between -6 to +9bps for MGS/GII 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 rose 6bps at 2.07% whilst the 10Y MGS 4/31 benchmark spiked 9bps at 2.72% levels. Total secondary market volume however improved @ RM24.9b versus prior week's tepid RM16.9b. The 3rd auction exercise for the year saw average bidding metrics for the reopening of RM4.0b 10Y MGS 7/36 @ BTC ratio of 1.992x and awarded at 2.714 %. Expect trading to be range-bound in the absence of further catalysts following BNM's OPR rate decision.
- MYR Corporate Bonds/ Sukuk:** The week saw investor interest ramp-up in the secondary market for both corporate bonds/Sukuk and Govt-guaranteed bonds. Activity was mainly centered across the GG-AA part of the curve as yields closed mostly mixed amid a lower weekly market volume of RM2.41b. Topping the weekly volume was energy-related bonds YTL Power (AA3) which saw its 8/23 tranche ease 2bps at 2.96% whilst the 10/24 tranche spiked 5bps at 3.12%. This was followed by GOVCO 24's (GG) which edged 1bps lower between 2.09-19% levels. More frequent bond trades were noted in PRASA, DANA, JEP, TNB Western and YTL power-related names. Meanwhile the prominent issuance for the week was CAGAMAS Bhd's 1-3Y papers totaling RM110m with coupons ranging from 2.12-38%.
- SGS:** SGS (govies) saw higher volatility and ended weaker w/w across the curve as overall benchmark yields closed higher between 3-13bps. The curve bear-steepened with the 2Y closing rose 6bps at 0.29% levels whilst the 10Y which traded within a wider 8bps range spiked 7bps at 1.02%. Meanwhile the SGD recovered from its earlier weakness against the greenback as US yields stemmed its rise following expectations of further debt issuances. Separately, MAS has announced a huge size of S\$3.1b for its March 2050 i.e. 30Y government bond auction on the 27th of January. The overall fiscal deficit for 2021 is expected to be in the region of ~S\$12.0b; compared to the previous 10-year average surplus of ~S\$3.0b.



Source: Bloomberg



Source: Bloomberg



Source: Bloomberg

Rating Actions

Issuer	PDS Description	Rating/ Outlook	Action
Cellco Capital Bhd	Proposed RM520 million issuance (Issue 1) under its Islamic Commercial Papers/Islamic Medium-Term Notes (Sukuk Ijarah Programme) with a combined limit of up to RM1.0 billion	MARC-1 IS / AA IS	Assigned
Pengurusan Air SPV Berhad	RM20 bil Islamic MTN Programme (2009/2039)	AAA/Stable/P1	Reaffirmed
Hong Leong Financial Group Berhad	Corporate credit ratings Financial institution ratings	AA1/Stable/P1 AAA/Stable/P1	Reaffirmed Reaffirmed
Credit Guarantee and Investment Facility	Insurer Financial Strength ratings	AAA/Stable/P1	Reaffirmed
Sumitomo Mitsui Banking Corporation Malaysia Berhad	Financial institution ratings.	AA1/Stable/P1	Reaffirmed

Source: MARC/RAM

Economic Calendar

Date	Time	Country	Event	Period	Prior	
25/01	13:00	SI	CPI YoY	Dec	-0.1%	
	21:30	US	Chicago Fed Nat Activity Index	Dec	0.27	
	23:30	US	Dallas Fed Manf. Activity	Jan	9.7	
26/01	05:30	NZ	Performance Services Index	Dec	46.7	
	13:00	SI	Industrial Production YoY	Dec	17.9%	
	15:00	UK	Jobless Claims Change	Dec	64.3k	
	15:00	UK	ILO Unemployment Rate 3Mths	Nov	4.9%	
	15:00	UK	Employment Change 3M/3M	Nov	-144k	
	16:30	HK	Exports YoY	Dec	5.6%	
	22:00	US	FHFA House Price Index MoM	Nov	1.5%	
	22:00	US	S&P CoreLogic CS 20-City YoY NSA	Nov	7.95%	
	23:00	US	Conf. Board Consumer Confidence	Jan	88.6	
	23:00	US	Richmond Fed Manuf. Index	Jan	19.0	
	27/01	07:30	AU	Westpac Leading Index MoM	Dec	0.46%
		08:30	AU	CPI YoY	4Q	0.7%
08:30		AU	NAB Business Confidence	Dec	12	
09:30		CH	Industrial Profits YoY	Dec	15.5%	
21:30		US	Durable Goods Orders	Dec P	1.0%	
21:30		US	Cap Goods Orders Nondef Ex Air	Dec P	0.5%	
28/01	03:00	US	FOMC Rate Decision	27 Jan	0-0.25%	
	05:45	NZ	Trade Balance 12 Mth YTD NZD	Dec	3259m	
	07:50	JN	Retail Sales YoY	Dec	0.6%	
	18:00	EC	Economic Confidence	Jan	90.4	
	21:30	US	Advance Goods Trade Balance	Dec	-\$84.8b	
	21:30	US	GDP Annualized QoQ	4Q A	33.4%	
	21:30	US	Initial Jobless Claims	23 Jan	--	
	23:00	US	Leading Index	Dec	0.6%	
	23:00	US	New Home Sales MoM	Dec	-11.0%	
	29/01	00:00	US	Kansas City Fed Manf. Activity	Jan	14.0
		05:00	NZ	ANZ Consumer Confidence Index	Jan	112.0
07:30		JN	Jobless Rate	Dec	2.9%	
07:30		JN	Job-To-Applclicant Ratio	Dec	1.06	
07:50		JN	Industrial Production MoM	Dec P	-0.5%	
12:00		MA	Exports YoY	Dec	4.3%	
16:30		HK	GDP YoY	4Q A	-3.5%	
21:30		US	Personal Income	Dec	-1.1%	
21:30		US	Personal Spending	Dec	-0.4%	
21:30		US	PCE Core Deflator YoY	Dec	1.4%	
22:45		US	MNI Chicago PMI	Jan	58.7	
23:00		US	Pending Home Sales MoM	Dec	-2.6%	
23:00		US	U. of Mich. Sentiment	Jan F	79.2	

Source: Bloomberg

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