Global Markets Research
Weekly Market Highlights

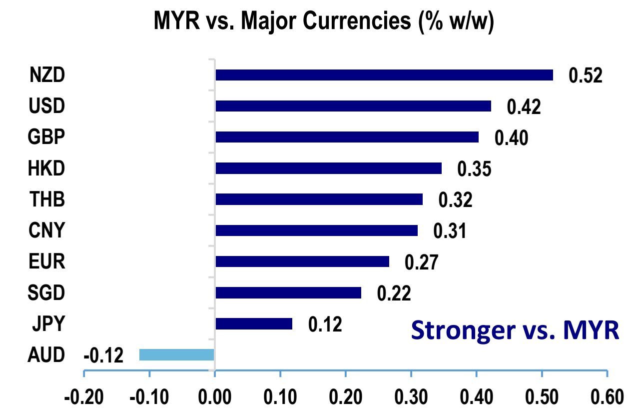
Markets

	Last Closing	WOW%	YTD %
Dow Jones Ind.	30,603.36	-1.8	0.0
S&P 500	3,787.38	-1.7	0.8
FTSE 100	6,526.15	-2.8	1.0
Hang Seng	28,550.77	-4.6	5.3
KLCI	1,580.62	-0.9	-3.2
STI	2,920.30	-3.2	3.1
Dollar Index	90.46	0.4	0.8
WTI oil ($/bbl)	52.34	-1.5	7.9
Brent oil ($/bbl)	55.53	-1.0	7.6
Gold ($/oz)	1,837.90	-1.5	-2.8

Source: Bloomberg

- Volatile trading dominated the US stock market this week as retail investors' collectively bidded up prices of several heavily shorted stocks namely GameStop, AMC and Blackberry, capturing worldwide attentions. The incident overshadowed major US corporate earnings releases, FOMC meeting and key US data such as GDP report. Major stock benchmarks rebounded on Thursday although they remain in negative territories on a weekly basis. The Fed maintained monetary policy, acknowledging that economic recovery has moderated recently.
- The US economy expanded at an annualised rate of 4% q/q in the fourth quarter of 2020, moderating from the sharp 33.4% rebound in the third quarter. New filings for jobless benefits continued to hover at above 800k weekly. The UK and Japan also continued to shed jobs.
- Key data next week are a series of manufacturing and services PMIs, and mainly the US job data. The RBA and BOE are also expected to hold their key rates steady.

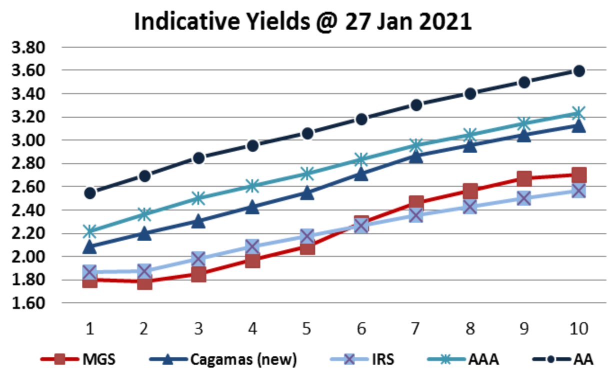
Forex



Source: Bloomberg

- **MYR** gyrated within a tight range of 100pips between 4.04-4.05 this week, shrugging off the 4.03 big figure saw last Friday morning. This translated into a 0.4% w/w depreciation in the MYR vs the USD (Friday to Thursday) as the USD strengthened towards 90.90 following renewed recovery concerns as reaffirmed by the Fed. We are **neutral** on MYR next week, potentially eyeing 4.03-4.06, with the USD remaining the biggest influence. Moody's reaffirmation of Malaysia sovereign rating at A3 with a stable outlook which has eliminated another event risk would help support the MYR.
- **USD**: DXY gained by 0.4% w/w, against all G10 peers. Only the CNY was slightly defensive against the dollar as most Asian currencies also weakened. This came as the Fed dampened expectations of early tapering of its monetary easing programme and advance GDP showed slight pickup in 4Q compared to 3Q. We are **neutral** on the USD for the week ahead. For the week ahead, focus is on ISM, jobless claims and non-farm payrolls data. Market risk aversion may keep the dollar resilient for now, although we do not expect further strong movements near-term. A major swing factor remains on Covid-19 containment efforts on US fundamentals.

Fixed Income



Source: Bloomberg

- **UST:** US treasuries saw extended gains with the curve bull flattening, as markets were under the influence of stimulus and vaccine delay concerns earlier in the week before the FOMC effects set in. Overall yields fell 0.2-6.5bps across the curve with the 2Y note yields little changed at 0.12% while the 10s fell 6.1bps to 1.04% as at yesterday's close. The Treasury record debt sales this week were generally well-received. $60bn 2Y sales attracted a BTC of 2.67x (highest in five months), while the $62bn 7Y auction was bidded at 2.30x. We expect markets to shift focus to US nonfarm and other job details as well as other key indicators namely ISM indices and durable goods orders next week, in the absence of any upcoming debt auction.
- **MGS/GII:** The MYR government bond markets saw trading momentum tapering off somewhat towards mid-week, with secondary market volume pulling back to RM2.6bn on Wednesday, from RM4.1bn on Monday. Average daily volume fell to RM3.5bn from RM5.0bn a week ago amid lack of fresh catalysts and as investors preferred to stay on the sideline ahead of FOMC meeting. GII trades made up about 42% of total trades in the govvies space, up from 39% a week ago, with yields settled generally lower save for the 30Y long bond. Moving forward, markets could stay subdued in another holiday-shortened week in observation of a Federal Territory holiday but we would expect the rating reaffirmation by Moody's on Malaysia sovereign rating to spur some buying interests.

Macroeconomic Updates

- **Volatile trading dominated the US stock market this week as retail investors'** collectively bidded up prices of several heavily shorted stocks namely GameStop, AMC and Blackberry, capturing worldwide attentions. The incident overshadowed major US corporate earnings releases, FOMC meeting and key US data such as GDP report. Electronic retail company GameStop is at the centre of the "amateurs vs hedgefunds" saga as its shares went up by an incredible 700% within a week, before selling off by 44% overnight following several brokers' move to curtail trading activity of these affected counters. This also led major stock benchmarks to rebound on Thursday although they remain in negative territories on a weekly basis.

- **The Federal Reserve left the fed funds rate unchanged at record low of 0-0.25% as** widely expected, acknowledging that economic recovery has moderated recently. It said that the path of the economy depended significantly on the course of the pandemic, citing US' vaccine progression as well. It removed the time horizons for its economic activity, employment and inflation outlook.

- **The US economy expanded at an annualised rate of 4% q/q in the fourth quarter of 2020,** moderating from the sharp 33.4% rebound in the third quarter. Growth was fueled by consumer spending, investment and exports. This left the full-year GDP growth at -3.5% in the pandemic year of 2020. Meanwhile, new filings for jobless benefits continued to hover at above 800k weekly, as firms that struggled with tighter business restrictions continued to lay off workers. Apart from that, US new home sales closed out the year with a strong note as sales were at their best level since 2006, fueled by robust demand amid a suburban shift and low interest rates. The US also recorded a narrower goods trade deficit of $82.5 in December, as exports surged.

- **Elsewhere, the UK's job report turned out not as poor as expected, reflecting the support offered by the furlough program**. Nontheless, the job market remained in a battered state with unemployment rate rising to 5% in the three months to November, while total job losses stood at 88k in the same period. Japan's retail sales and industrial production data both declined in December, reflecting the impact of new virus wave alongside the State of Emergency imposition.

The Week Ahead…

- A series of manufacturing PMIs are scheduled for Monday's release. Major focus should be on the US ISM Manufacturing Index which hit above the 60 mark in December. Eurozone's unemployment rate and US construction spending are also due same day.

- On Tuesday, the RBA is expected to maintain its cash rate at 0.1% but market is looking forward to a more upbeat assessment of the Australian present situation and economic outlook. Eurozone's first estimate of 4Q GDP is slated for afternoon's release.

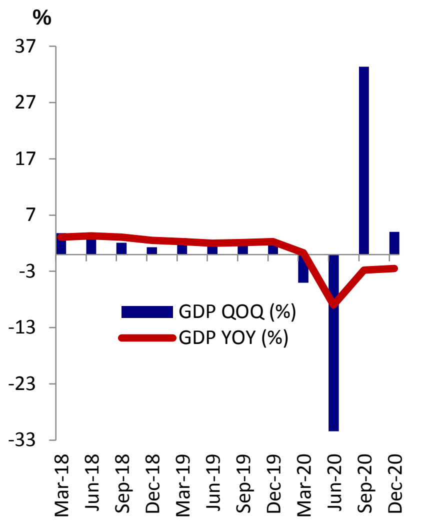
- Wednesday sees the release of a slew of services PMI and again the focus is on the US ISM Services Index. Other than that, New Zealand's job reports, Eurozone's HICP inflation as well as the US' ADP private payrolls are key data to watch out for.

- On Thursday, the main event is the Bank of England's MPC meeting. Australia's trade data and Eurozone's retail sales are due, followed by US' initial jobless claims and factory order data.

- On Friday, the US' official job report is expected to offer us more insights of the current state of US job market, which is likely to remain weak given the still elevated jobless claims number.

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

US economic growth moderated in 4Q



Source: Bloomberg, CEIC

Foreign Exchange Market

- **MYR** gyrated within a tight range of 100pips between 4.04-4.05 this week, shrugging off the 4.03 big figure saw last Friday. This translated into a 0.4% w/w depreciation in the MYR vs the USD (Friday to Thursday) as the USD strengthened towards 90.90 following renewed recovery concerns as reaffirmed by the Fed. We are **neutral** on MYR in the week ahead, potentially eyeing a range of 4.03-4.06, with the USD remaining the biggest influence. Moody's reaffirmation of Malaysia sovereign rating at A3 with a stable outlook which has eliminated another event risk would help support the MYR.

- **USD**: DXY gained by 0.4% w/w, against all G10 peers. Only the CNY was slightly defensive against the dollar as most Asian currencies also weakened. This came as the Fed dampened expectations of early tapering of its monetary easing programme and advance GDP showed slight pickup in 4Q compared to 3Q. We are **neutral** on the USD for the week ahead. For the week ahead, focus is on ISM, jobless claims and non-farm payrolls data. Market risk aversion may keep the dollar resilient for now, although we do not expect further strong movements near-term. A major swing factor remains on Covid-19 containment efforts on US fundamentals.

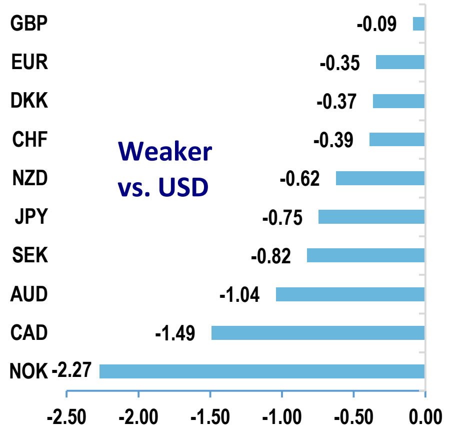
- **EUR**: Although slightly weakening, EUR/USD has mostly stayed within a range of 1.2059-1.2190 for the past week. Eurozone confidence indices showed slight improvements in January compared to a month ago. We stay **neutral** on the EUR, as market attention focuses on fundamentals. Focus is likely on CPI and retail sales data the following week, alongside ECB's economic bulletin. We see a weekly range of 1.2050-1.2175 for now.

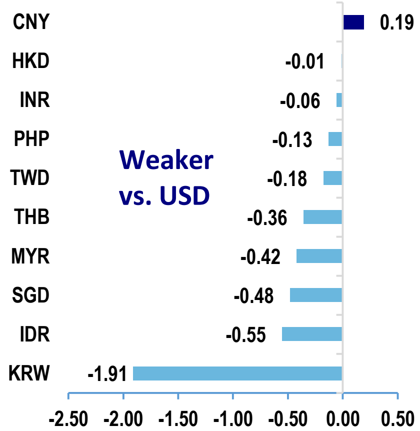
- **GBP**: GBP was choppy within a range of around 1.3600-1.3750, swinging alongside dollar volatility. We are **neutral** on the GBP. Anticipate weekly range of 1.3600-1.3800. We see some stretched levels close to 1.38 big figure, particular as market turn attention away from sentiments to fundamentals. Focus is on Covid-19 situation and Bank of England policy decision on 4 February. Markets currently anticipate no changes to its stance, although any talk of negative interest rates may weaken the pound.

- **JPY**: USD/JPY headed around 0.8% higher w/w, touching a weekly high of 104.46 in the process. This came amid sluggish industrial production data for December. Retail sales also weakened, although slightly better-than-expected. We are **neutral-to-bullish** on the JPY for the coming week, in an environment of some risk aversion. Bank of Japan debated whether to have bigger yield moves ahead of the March review, which may weaken the JPY if it exceeds expectations. Watch supports of 103.50 and 102.59, with resistance around 105.30.

- **AUD**: AUD/USD stayed in retreat mod following the high on 6 January of 0.7820, with pair down by more than 1% w/w. This brought the pair below the 0.77 big figure. Underlying inflation stayed subdued in 4Q. We are **bearish** on the AUD for the week ahead, mainly concerned about correction from prior rallies and risk aversion. Focus will likely be on a 0.7600-0.7800 range near term, with a break below to turn attention on the next support at 0.7400. For the week ahead, focus is on RBA, where it is expected to maintain its policy stance.

SGD: USD/SGD has been up by almost 0.5% w/w, as the dollar staged a resurgence. This brought the pair to a high of 1.3341 on 28 January. This came despite stable inflation and strong industrial production figures in December. With USD/SGD hovering around the 1.33 big figure, we are **neutral** and see weekly range movements between 1.3200-1.3400. A break of this range will likely signal at momentum either way. Key focus for the week is Singapore PMI, where we expect continued expansion for manufacturing.





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

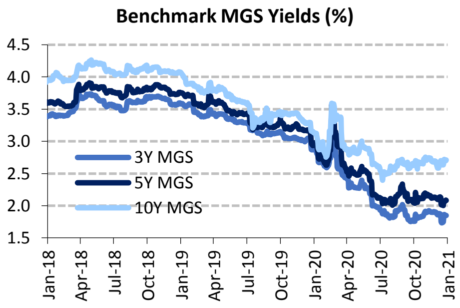
Fixed Income

- **UST:** US treasuries saw extended gains with the curve bull flattening, as markets were under the influence of stimulus and vaccine delay concerns earlier in the week before the FOMC effects set in. Overall yields fell 0.2-6.5bps across the curve with the 2Y note yields little changed at 0.12% while the 10s fell 6.1bps to 1.04% as at yesterday's close. 10Y bond yields fell to a low of 1.02% after the Fed highlighted that it is premature to focus on an exit. Fed Chair Powell said it will be some time before the Fed begins considering a tapering of its QE programme. UST has since seen some renewed pressure amid rebounding equities. 10Y bond yields have bounced back to 1.05% at time of writing. The Treasury record debt sales this week were generally well-received. $60bn 2Y sales attracted a BTC of 2.67x (highest in five months), while the $62bn 7Y auction was bidded at 2.30x. We expect markets to shift focus to US nonfarm and other job details as well as other key indicators namely ISM indices and durable goods orders next week, in the absence of any upcoming debt auction.

- **MGS/GII:** The MYR government bond markets saw trading momentum tapering off somewhat towards mid-week, with secondary market volume pulling back to RM2.6bn on Wednesday ahead of the Thaipusam holiday, from RM4.1bn on Monday. Average daily volume fell to RM3.5bn from RM5.0bn a week ago. Total weekly volume fell 44.2% w/w to RM13.9bn (prior RM24.9bn) amid lack of fresh catalysts and as investors preferred to stay on the sideline ahead of FOMC meeting. The MGS curve shifted higher led by the long end. Benchmark 3Y note yields were little changed at 1.85% while the 10Y note yields climbed 4.2bps higher at 2.71%. GII trades made up about 42% of total trades in the govvies space, up from 39% a week ago, with yields settled generally lower save for the 30Y long bond. Moving forward, markets could stay subdued in another holiday-shortened week in observation of a Federal Territory holiday but we would expect the rating reaffirmation by Moody's on Malaysia sovereign rating to spur some buying interests.

- **MYR Corporate Bonds/ Sukuk:** Investor interests in MYR corporate bonds/ sukuk stayed robust for a second straight week, as evident in the continuous spike in secondary market volume to RM3.6bn (prior RM2.4bn), its highest since mid-August last year. We understand this could be due to portfolio rebalancing exercise in the new year. Trading concentrated on the GG to AA-rated part of the curve for most of the week and was seen extended to the single-A segment ahead of the Thaipusam holiday break. Overall yields however settled mixed. In the GG segment, focus was on various tenors of infrastructure related DANA and PRASA. On the corporate side, energy names and banking issuances appeared to attract the most interests. Trading could however turn more subdued next week should there be no fresh catalysts.

- **SGS:** SGS (govvies) continued to see some volatility but rebounded to end the week stronger, despite a weaker SGD possibly aided by a strong industrial production number. Overall benchmark SGS yields fell 0.5-3.8bps w/w across the curve save for the slight increase of less than a basis point in the 5Y segment. Gains were led by the long end, with the 10Y and 30Y bond yields falling 2.9bps and 3.8bps to 0.99% and 1.33% respectively. Focus will be on PMI and retail sales figures scheduled for next week, before the FY2021 Budget tabling on 16-February. Our colleague in Singapore expects a "Recovery Budget" that would see another year of budget deficit, albeit much narrower at -1.5% to -2.5% of GDP (2020e: -16.4%).



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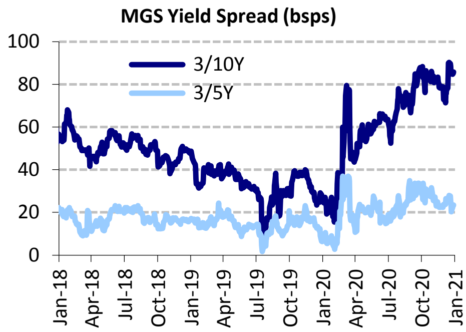

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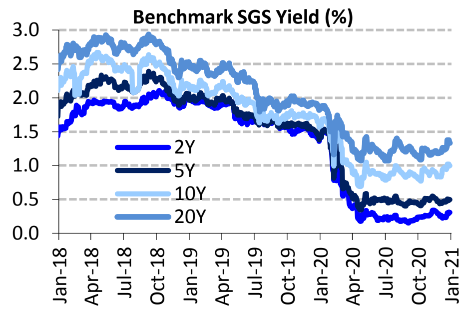

Source: Bloomberg

Rating Actions

Issuer	PDS Description	Rating/ Outlook	Action
Malayan Banking Berhad	Financial Institution ratings (FIRs)	AAA/Stable/P1	Reaffirmed
	RM20 billion Subordinated Note Programme (2012/-)	AA1/Stable	Reaffirmed
	RM10 billion Additional Tier-1 Capital Securities Programme (2014/-)	AA3/Stable	Reaffirmed
	RM10 billion Senior Medium-Term Note Programme (2015/-)	AAA/Stable	Reaffirmed
	RM10 billion Commercial Paper/Medium-Term Note Programme (2016/2023)	AAA/Stable/P1	Reaffirmed
Maybank Islamic Berhad	Financial Institution Ratings	AAA/Stable/P1	Reaffirmed
	RM10 billion Subordinated Sukuk Murabahah Programme (2014/2034)	AA1/Stable	Reaffirmed
	RM10 billion Islamic Commercial Paper/Medium-Term Note Programme (2017/2024	AAA/Stable/P1	Reaffirmed
Pendidikan Industri YS Sdn Bhd	RM150 mil Bai' Bithaman Ajil Islamic Debt Securities (2008/2022) (BaIDS). RM10 billion Islamic Commercial Paper/Medium-Term Note Programme (2017/2024)	AA1(s)/Stable	Reaffirmed
BGSM Management Sdn Bhd	IMTN Programme of up to RM10 bil in nominal value (2013/2043).	AA3/Stable	Reaffirmed
Cahya Mata Sarawak Berhad	RM2.0 bil Islamic MTN Programme (2017/2037)	AA3/Stable	Reaffirmed
	Corporate credit ratings	AA3/Stable/P1	Reaffirmed
Petroleum Sarawak Berhad	Corporate credit ratings	AAA/Stable/P1	Assigned
	Proposed Multi-Currency Islamic Medium-Term Notes of up to RM15 billion (2021/2051)	AAA/Stable	Assigned
Infracap Resources Sdn Bhd	Proposed RM15 bil Sukuk Murabahah Programme (2021/2041)	AAA(s)/Stable	Assigned

Source: MARC/RAM

Economic Calendar

Date	Time	Country	Event	Period	Prior
01/02	05:30	AU	AiG Perf of Mfg Index	Dec	52.1
	08:30	AU	Home Loans Value MoM	Dec	5.6%
	08:30	VN	Markit Vietnam PMI Mfg	Jan	51.7
	08:30	MA	Markit Malaysia PMI Mfg	Jan	49.1
	08:30	JN	Jibun Bank Japan PMI Mfg	Jan F	49.7
	09:45	CH	Caixin China PMI Mfg	Jan	53.0
	17:00	EC	Markit Eurozone Manufacturing PMI	Jan F	54.7
	17:30	UK	Markit UK PMI Manufacturing SA	Jan F	52.9
	18:00	EC	Unemployment Rate	Dec	8.30%
	22:45	US	Markit US Manufacturing PMI	Jan F	59.1
	23:00	US	Construction Spending MoM	Dec	0.9%
	23:00	US	ISM Manufacturing	Jan	60.7
02/02	11:30	AU	RBA Cash Rate Target	Feb-02	0.1%
	15:00	UK	Nationwide House Px NSA YoY	Jan	7.3%
	16:30	HK	Retail Sales Value YoY	Dec	-4.0%
	18:00	EC	GDP SA QoQ	4Q A	12.5%
	21:00	SI	Purchasing Managers Index	Jan	50.5
03/02	05:45	NZ	Pvt Wages Inc Overtime QoQ	4Q	0.4%
	05:45	NZ	Employment Change QoQ	4Q	-0.8%
	05:45	NZ	Unemployment Rate	4Q	5.3%
	08:30	SI	Markit Singapore PMI	Jan	50.5
	08:30	HK	Markit Hong Kong PMI	Jan	43.5
	08:30	JN	Jibun Bank Japan PMI Services	Jan F	45.7
	09:45	CH	Caixin China PMI Services	Jan	56.3
	17:00	EC	Markit Eurozone Services PMI	Jan F	45
	17:30	UK	Markit/CIPS UK Services PMI	Jan F	38.8
	18:00	EC	CPI Estimate YoY	Jan	-0.3%
	20:00	US	MBA Mortgage Applications	Jan-29	-4.1%
	21:15	US	ADP Employment Change	Jan	-123k
	22:45	US	Markit US Services PMI	Jan F	57.5
	23:00	US	ISM Services Index	Jan	57.2
04/02	08:00	NZ	ANZ Business Confidence	Feb P	9.4
	08:30	AU	Exports MoM	Dec	3.0%
	08:30	AU	NAB Business Confidence	4Q	-10.0
	18:00	EC	Retail Sales MoM	Dec	-6.1%
	20:00	UK	Bank of England Bank Rate	Feb-04	0.1%
	21:30	US	Initial Jobless Claims	Jan-30	--
	23:00	US	Factory Orders	Dec	1.0%
	23:00	US	Durable Goods Orders	Dec F	0.2%
	23:00	US	Cap Goods Orders Nondef Ex Air	Dec F	0.6%
05/02	05:30	AU	AiG Perf of Services Index	Dec	52.9
	07:30	JN	Household Spending YoY	Dec	1.1%
	08:30	AU	Retail Sales MoM	Dec F	-4.2%
	08:30	AU	RBA Statement on Monetary Policy		
	13:00	SI	Retail Sales YoY	Dec	-1.9%
	21:30	US	Change in Nonfarm Payrolls	Jan	-140k
	21:30	US	Unemployment Rate	Jan	6.7%
	21:30	US	Average Hourly Earnings YoY	Jan	5.1%
	21:30	US	Trade Balance	Dec	-$68.1b

Source: Bloomberg

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