

Global Markets Daily

Strong Start for AXJs

Regional PMIs Suggest Recovery Momentum Intact

AXJ FX including MYR, SGD and CNH started the new year on firmer footing. Manufacturing PMIs in the region including Japan, China, Taiwan, S. Korea and Southeast Asian nations continued to point to expansion. That said we are also cautious of the recent spikes in covid infection in the region and its potential repercussion on economic recovery momentum. Tokyo is likely to declare a state of emergency while in UK, PM BoJo warned of tougher restrictions. Over the weekend it was reported that NYSE will delist 3 Chinese Telcos to comply with a US Executive Order. Focus today on FTSE Russell's decision. Sentiment could be affected if it plans to remove more Chinese companies from its benchmarks.

Brexit Deal at Last, Pending EU Parliament Ratification

Brexit drama has largely concluded ahead of the hard deadline. The new deal known as the EU (Future relationship) Bill was backed by UK House of Commons by 521 to 73 votes on 30 Dec and was passed by the House of Lords without a vote. EU parliament will scrutinise the details of the deal and will have a chance to ratify it formally in coming days. It was understood that the deal has been given the unanimous backing of ambassadors from the 27 EU nations. In summary the **deal will see no trade tariffs or quotas on goods between EU and UK**, though there may be some restrictions of certain UK animal food products. On fishing issue, the UK will gradually gain a greater share of the fish from its own water over the next 5.5 years and the UK could choose to ban EU fishing boats from 2026 but the EU would be allowed to introduce taxes on British fish in response. Regular talks between EU and UK will be held from 2026. On settlement of disputes, there will be no role for UK in the European Court of Justice (ECJ). Unresolved disputes will be referred to an independent tribunal.

US, EU and UK PMIs Today

Key data of interests today include Indonesia CPI; as well as PMIs from US, EU, UK later this evening.

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G7: Events & Market Closure

Date	Date	Date
4 Jan	NZ	Market Closure
5 Jan	US	Georgia Senate Runoff

FX: Overnight Closing Prices					
Majors	Prev Close	% Chg	Asian FX	Prev Close	% Chg
EUR/USD	1.2215	↓ -0.01	USD/SGD	1.3219	↓ -0.02
GBP/USD	1.3672	↑ 0.01	EUR/SGD	1.6139	↓ -0.04
AUD/USD	0.7694	→ 0.00	JPY/SGD	1.2808	↑ 0.16
NZD/USD	0.7188	↑ 0.06	GBP/SGD	1.8075	↑ 0.08
USD/JPY	103.2	↓ -0.05	AUD/SGD	1.0171	↑ 0.03
EUR/JPY	126.16	↓ -0.02	NZD/SGD	0.9517	↑ 0.28
USD/CHF	0.8861	↑ 0.10	CHF/SGD	1.4838	↓ -0.62
USD/CAD	1.2728	↑ 0.02	CAD/SGD	1.0385	→ 0.00
USD/MYR	4.0203	→ 0.00	SGD/MYR	3.0426	→ 0.00
USD/THB	29.977	↑ 0.06	SGD/IDR	10629.44	↓ 0.00
USD/IDR	14050	→ 0.00	SGD/PHP	36.3536	→ 0.00
USD/PHP	48.03	→ 0.00	SGD/CNY	4.9369	↓ -0.07

Implied USD/SGD Estimates at 4 January 2021, 9.00am

Upper Band Limit	Mid-Point	Lower Band Limit
1.3000	1.3266	1.3531

Bloomberg FX Ranking - 4Q 2020

No. 2 for EUR, SGD
No. 3 for JPY
No. 5 for MYR, PHP, AUD, KRW
No. 6 for NZD
No. 8 for GBP

No. 2 for Asia FX

Maybank FX Annual Outlook 2021
(Please see report [here](#))

G7 Currencies

- **DXY Index - *Fade Upticks***. USD extended its decline into the new year. Asian FX is leading gains this morning. Vaccine optimism, PMIs above 50 for most in the region (suggests recovery momentum intact for now), EU-China investment pact, EU-UK deal were some of the factors supporting risk sentiment. This is also in line with our call for going long in Asian FX. Smooth vaccine rollout soon is a game changer as the consequential containment of covid-19 pandemic suggests that travel restrictions, social distancing measures can be lifted. The global economy is closer to a more sustainable growth recovery amid unprecedented fiscal and monetary support. In this climate, Procyclical FX including AUD, NZD and AXJs can benefit. In addition, the signing of RCEP, and potentially further expansion of trade pacts is supportive of Asian trade-linked FX, including KRW, TWD, SGD and CNH. In current low rate for longer environment and subdued inflationary expectations for the time being, the hunt for yield should also favor carry proxy Asian FX such as IDR, INR, MYR and CNH. On net, countercyclical FX, the USD can see its weakness stay further entrenched. That said we caution that the recent spikes in covid infection globally may have some repercussion on economic recovery momentum. Tokyo is likely to declare a state of emergency while in UK, PM BoJo warned of tougher restrictions. Elsewhere over the weekend NYSE was reported to delist 3 Chinese Telcos to comply with a US Executive Order. Focus today on FTSE Russell's decision. Sentiment could be affected if it plans to remove more Chinese companies from its benchmarks. Nevertheless, we look for USD spikes to fade into. Day ahead brings US PMI and construction spending.
- **EURUSD - *Buy Dips***. EUR continued to drift higher riding on broad USD softness. We maintain our bias for EUR to trend higher on (1) expectations for more sustained global growth recovery as covid-19 pandemic retreats amid the rollout of vaccination; (2) the birth of an 'New Generation EU' fund as a joint commitment to building EU resilience and planned debt issuance that should potentially encourage foreign inflows; (3) resumption of structural and cyclical USD softness, which EUR could stand to benefit from; (4) EU-China investment pact could bring medium term benefits. Near term, covid-19 spread in Europe remains a risk that could come and go until vaccine is rolled out or herd immunity is achieved. Fears of extended lockdown will dampen economic activity and undermine EUR but judging from recent experience, each round of lockdown is getting shorter and policymakers have more visibility today on what works and what needs to be done to keep infection contained. Pair was last seen at 1.2255 levels. Daily momentum and RSI are not indicating a clear bias for now. Bias to buy dips. Support at 1.2190 (21 DMA), 1.21 levels. Resistance at 1.2280, 1.2310. Mfg PMI for release later this evening.
- **GBPUSD - *Room for Gains***. GBP extended its run higher and came close to trading 1.37-handle this morning. EU-UK deal brings brexit uncertainty to a close as focus shifts to UK's management of covid infection and macroeconomic data. The new deal known as the EU

(Future relationship) Bill was backed by UK House of Commons by 521 to 73 votes on 30 Dec and was passed by the House of Lords without a vote. EU parliament will scrutinise the details of the deal and will have a chance to ratify it formally in coming days. It was understood that the deal has been given the unanimous backing of ambassadors from the 27 EU nations. In summary the deal will see no trade tariffs or quotas on goods between EU and UK, though there may be some restrictions of certain UK animal food products. On fishing issue, the UK will gradually gain a greater share of the fish from its own water over the next 5.5 years and the UK could choose to ban EU fishing boats from 2026 but the EU would be allowed to introduce taxes on British fish in response. Regular talks between EU and UK will be held from 2026. On settlement of disputes, there will be no role for UK in the European Court of Justice (ECJ). Unresolved disputes will be referred to an independent tribunal. GBP was last seen at 1.3690 levels. Bullish momentum on daily chart intact while RSI is rising towards near-overbought conditions. Room for further upside towards 1.38. Support at 1.3620, 1.3480 (21 DMA). Mfg PMI for release later this evening.

- **USDJPY - Risks Skewed Mildly to Downside.** Pair continued to hover around key support at 103. Last seen at 103.11. Momentum on daily chart has turned mild bearish while RSI is on a gentle dip. Nikkei is on the backfoot this morning after PM Suga is reportedly considering declaring a state of emergency for Tokyo, as cases in the capital remain elevated. Uncertainty surrounding Georgia runoffs in the US on Jan 5, which will decide if Democrats manage to wrestle control of the Senate from the Republicans, could also contribute to incremental cautiousness in global risk sentiments in the interim. Risks for USDJPY mildly skewed to the downside still. Support at 102.70 (recent low), 102. Resistance at 103.60 (21-DMA), 104.10 (50-DMA). Dec Jibun Bank PMI Mfg was finalized at 50.0. Leading, coincident indices due Fri.
- **NZDUSD - Consolidation Near the Highs.** NZD firmed, alongside the rise in most AXJ FX. Daily momentum and RSI are not indicating a clear bias for now. Look for consolidation in 0.7110 (21 DMA) - 0.7240 range intra-day. Onshore markets are closed today.
- **AUDUSD - Uptrend intact.** AUD continued to hover near its >30-month highs of above 0.77-handle this morning. Vaccine optimism, PMIs above 50 for most in the region (suggests recovery momentum intact for now), EU-China investment pact, EU-UK deal were some of the factors supporting risk sentiment. Pair was last seen at 0.7710 levels. Daily momentum is mild bullish while RSI is near overbought conditions. Still look for gains. Next resistance at 0.78. Support at 0.7670, 0.7580 (21 DMA).

Asia ex Japan Currencies

SGD trades around +0.49% from the implied mid-point of 1.3266 with the top estimated at 1.3000 and the floor at 1.3531.

- **USDSGD - Grinding Lower.** Pair continues to grind lower in early trading, alongside the decline in most USD/AXJs this morning. Last seen at 1.3203 levels. We note that SGD NEER is near +0.5% vs. implied policy mid-point, vs. near par in the second week of Dec, implying that SGD continues to modestly outperform basket of trading partners' FX on average. +0.5% to +0.6% levels is a key resistance for the SGD NEER and we are wary of any interim pullback in SGD strength, even as broad sentiments should remain benign still. Georgia runoffs in US on Jan 5 is a key risk event which could swing broad dollar strength. Momentum is not indicating a clear bias while RSI looks to be a tad oversold. Immediate support at 1.3200, before 1.3100 levels. Resistance at 1.3300 (21-DMA), 1.3410 (50-DMA). 4Q (A) GDP came in this morning at -3.8%/y, modestly better than expected -4.7%, which puts annual GDP contraction at -5.8%/y (vs. -6.0% expected). Dec PMI due today, Nov retail sales due Tues.
- **AUDSGD - Uptrend Intact But Modest Interim Pullback Possible.** Cross touched a high near 1.0230 last week before the up-move lost some steam. Last seen at 1.0178. Momentum indicator is not showing a clear bias while RSI is in overbought territory. On net, uptrend from Oct intact but some interim pullback possible. Support is seen around 1.0080 (21-DMA before 1.00. 1.0230 could be a key resistance to watch for now, before 1.0280.
- **SGDMYR - Range.** SGDMYR was a touch softer amid MYR outperformance. Cross was last at 3.0320 levels. Daily momentum is bearish while RSI is falling. Risks to the downside. Support at 3.0250, 3.02 levels. Resistance at 3.0430 (21 DMA). Look for 3.0250 - 3.0350 range intra-day.
- **USDMYR - Under Pressure.** USDMYR broke below 4-handle this morning. Softer USDCNH, firmer oil prices, vaccine optimism, PMIs above 50 for most in the region (suggests recovery momentum intact for now) were some of the factors supporting broad sentiment. We note that though Malaysia PMI is still under 50, it has improved. Pair was last at 3.9990 levels. Daily momentum turned mild bearish while RSI is falling towards oversold conditions. Risks to the downside. Immediate support at 3.9960 (76.4% fibo retracement of 2018 low to 2020 high). Break below opens room towards 3.94 levels. Resistance at 4.00, 4.0450 levels.
- **1m USDKRW NDF - Bias to Sell Upticks.** 1m USDKRW NDF extended its decline this morning. Vaccine optimism, PMIs above 50 for most in the region including Korea (suggests recovery momentum intact for now), EU-UK deal were some of the factors supporting broad risk sentiment. Pair was last seen at 1080 levels.

Daily momentum turned mild bearish while RSI is falling towards oversold conditions. Bias to the downside. Immediate support here at 1080. Decisive break below opens room for further downside towards 1050. Resistance at 1088, 1093 (21 DMA).

- **USDCNH - Downtrend Intact.** USDCNH decisively headed lower this morning. Last seen near 6.4800. Dollar softness narrative and potential inflows into China debt could continue to exert modest drags on the pair. Caixin PMI Mfg came in at 53.0 for Dec, lower than the expected 54.7 but sentiments appear resilient still, as Asian manufacturing on the whole appears to be picking up momentum. Key risk event on horizon is Georgia runoff in US on Jan 5, which could decide Senate control and swing dollar sentiments. On net, USDCNH downtrend remains intact even as likelihood of sharp sudden down-moves could be low. Momentum indicator is not showing a clear bias while RSI is on track to reach oversold territory. Resistance at 6.52 (21-DMA), before 6.5680 (50-DMA). Support at 6.45 before 6.40. PMI Services due Wed.
- **USDVND - Modest Downside Risks.** USDVND closed at 23098 on 31 Dec. Key resistance is seen around 23121 (21-DMA) before 23159 (100-DMA). Risks have been to the downside given the sanguine risk climate, alongside USD softness and RMB strength. We note that week ending 31 Dec saw around -43mn outflows in equities, indicating some cautiousness in equity markets. Gains in VND vs. USD could slow a tad, even as downside risks in USDVND remain intact still. Markit PMI Mfg came in at 51.7 for Dec, higher than 49.9 prior.
- **1M USDINR NDF - Modest Downside Risks.** 1M USDINR NDF was last seen around 73.25. Risks for the NDF remain modestly to the downside at this point given room for catch-up to benign performance of AxJ peers (vs. USD), especially if PMI Mfg reading this afternoon outperforms expectations. Support is seen around 72.60 (76.4% fibo retracement of the Jan-Mar 2020 rally). Inflows into Indian equities and bonds remained resilient in the last week of 2020, and trend could potentially extend into early 2021. Markit PMI Mfg due today, PMI Services due Wed.
- **1M USDIDR NDF - Slow Dips.** 1M NDF dipped lower past previous key support at 14,000 over the holiday break. Last seen near 13,955. Markit PMI Mfg for Dec came in at 51.3, higher than 50.6 prior, which could support interim domestic risk sentiments. Initial phase of vaccinations are starting and will target 1.3mn health workers and 17.4 million public workers in 1Q. Current plans are for 181.5mn people to be vaccinated by Mar 2022, roughly 2/3 of Indonesia population. Barring adverse risk events, we could see the NDF continue to see slow dips. Momentum on daily chart is mildly bearish, while RSI is on a gentle dip. Resistance at 14,170 (21-DMA), 14,450 (76.4% fibo retracement from Jan low to Mar high). Support at 13,800, 13,600 (last Feb low). CPI due today.
- **USDTHB - Downsides, But Likely Slower Vs. USD-AxJ Peers.** Pair tests the 29.90 this morning, with down-moves seen in early trading this morning. Last seen at 29.91. Markit PMI Mfg for Dec came in at 50.8, modestly above prior reading at 50.4. Broad benign manufacturing performance in Asia could be supportive of AxJ FX including THB in the interim. USDTHB might drift lower in tandem with regional peers, but

speed of down-moves in USDTHB could be constrained though, as any excessive THB gains could lead BoT to intervene to limit THB's appreciation, which it views as negative for the economy. More restrictions have also been imposed in 28 provinces including capital Bangkok in a bid to slow the spread of Covid, a modest drag on sentiments. On technicals, momentum on daily chart is mildly bullish, while RSI is on a gentle dip. Support at 29.50. Next long-term support is some way off at 28.60 (2013 low). Resistance at 30.10 (21-DMA), 30.45 (50-DMA). CPI due Tues.

- **1M USDPHP NDF - Consolidation.** NDF last seen at 48.06, remaining in consolidative territory even as it inches near key support at 48.0. As we had cautioned earlier, in periods of broad risk-on sentiments, down-moves in USDPHP tends to lag that of other USD-AxJ pairs. We expect this lower-beta performance to continue in the interim. PMI Mfg for Dec came in at 49.2, vs. prior at 49.9, one of the few Asian economies to see a dip in performance. On net, NDF could still take cue from broad dollar biases in the interim, even as extent of swings should be more modest versus peers. Momentum on daily chart is mildly bearish while RSI is not showing a clear bias. Support at 48.00, 47.50. Resistance at 48.25 (50-DMA), 48.42 (100-DMA).

Indonesia Fixed Income

Rates Indicators

IDR Gov't Bonds	Previous Bus. Day	Yesterday's Close	Change
1YR	3.08	3.10	0.02
3YR	5.08	5.07	0.00
5YR	5.17	5.21	0.04
10YR	5.96	5.89	(0.07)
15YR	6.35	6.37	0.02
20YR	6.50	6.54	0.03
30YR	6.94	6.98	0.03

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* Source: Bloomberg, Maybank Indonesia

- Indonesian government bonds slightly weakened on the last trading day of 2020. Investors realized their profits on the period of the year. Nevertheless, positive sentiments kept staying here. We expect investors to keep retaining position to apply strategy for “buying on weakness” to get attractive return from Indonesian government bonds. We believe that investors from overseas still have strong appetite to invest in Indonesian government bonds, following current adequate rooms for foreign investors to add their ownership position. Investors are on positive views for doing investment in the emerging markets after the winning of Joe Biden on U.S. Presidential election and positive progress of the vaccine elaboration for COVID-19.
- Today, Indonesia Statistic Agency will announce inflation data for 2020. Indonesian inflation is expected to reach 1.50% in 2020 after showing weakening consumers’ purchasing power during pandemic era, stable foods prices, and modest pressures on the imported inflation.
- Tomorrow, the government will begin to hold a conventional bond auction. The government targets Rp35 trillion-Rp52.5 trillion from this auction. Several series that will be offered on this auction are SPN03210406 (New Issuance), SPN12220106 (New Issuance), FR0086 (Reopening), FR0087 (Reopening), FR0088 (New Issuance), FR0083 (Reopening), and FR0089 (New Issuance). We expect investors to have strong enthusiasm for participate on this auction. Total investors’ incoming bid are expected to reach around Rp80 trillion-Rp110 trillion due to strong enthusiasm for collecting new government bond series, more optimism on the economic outlook (both global and domestic), and current favourable position on domestic currency.

Foreign Exchange: Daily Levels

	EUR/USD	USD/JPY	AUD/USD	GBP/USD	USD/CNH	NZD/USD	EUR/JPY	AUD/JPY
R2	1.2218	103.27	0.7695	1.3673	6.5653	0.7191	126.2600	79.4740
R1	1.2216	103.23	0.7694	1.3673	6.5341	0.7190	126.2100	79.4740
Current	1.2244	103.16	0.7698	1.3669	6.4949	0.7189	126.3000	79.4000
S1	1.2214	103.18	0.7693	1.3671	6.4935	0.7185	126.1300	79.4740
S2	1.2214	103.17	0.7693	1.3669	6.4841	0.7181	126.1000	79.4740

	USD/SGD	USD/MYR	USD/IDR	USD/PHP	USD/THB	EUR/SGD	CNY/MYR	SGD/MYR
R2	1.3223	4.0236	14137	48.0913	30.5490	1.6154	0.6121	3.0433
R1	1.3221	4.0219	14093	48.0607	30.2630	1.6147	0.6140	3.0429
Current	1.3209	4.0200	14050	48.0300	30.0270	1.6173	0.6159	3.0439
S1	1.3218	4.0167	14028	47.9987	29.7110	1.6132	0.6170	3.0397
S2	1.3217	4.0132	14007	47.9673	29.4450	1.6124	0.6181	3.0368

*Values calculated based on pivots, a formula that projects support/resistance for the day.

Policy Rates

Rates	Current (%)	Upcoming CB Meeting	MBB Expectation
MAS SGD 3-Month SIBOR	0.4054	Apr-21	Easing
BNM O/N Policy Rate	1.75	20/1/2021	Easing
BI 7-Day Reverse Repo Rate	3.75	21/1/2021	Easing
BOT 1-Day Repo	0.50	3/2/2021	Easing
BSP O/N Reverse Repo	2.00	11/2/2021	Easing
CBC Discount Rate	1.13	18/3/2021	Easing
HKMA Base Rate	0.50	-	Neutral
PBOC 1Y Lending Rate	4.35	-	Easing
RBI Repo Rate	4.00	5/2/2021	Easing
BOK Base Rate	0.50	15/1/2021	Easing
Fed Funds Target Rate	0.25	28/1/2021	Easing
ECB Deposit Facility Rate	-0.50	21/1/2021	Easing
BOE Official Bank Rate	0.10	4/2/2021	Easing
RBA Cash Rate Target	0.10	2/2/2021	Easing
RBNZ Official Cash Rate	0.25	24/2/2021	Easing
BOJ Rate	-0.10	21/1/2021	Easing
BoC O/N Rate	0.25	20/1/2021	Easing

Equity Indices and Key Commodities

	Value	% Change
Dow	30,606.48	0.65
Nasdaq	12,888.28	0.14
Nikkei 225	27,444.17	NA
FTSE	6,460.52	-0.45
Australia ASX 200	6,587.10	-0.43
Singapore Straits Times	2,843.81	-0.89
Kuala Lumpur Composite	1,627.21	-0.05
Jakarta Composite	5,979.07	NA
Philippines Composite	7,139.71	NA
Taiwan TAIEX	14,732.53	0.31
Korea KOSPI	2,873.47	NA
Shanghai Comp Index	3,473.07	1.72
Hong Kong Hang Sena	27,231.13	0.31
India Sensex	47,868.98	0.25
Nymex Crude Oil WTI	48.52	0.25
Comex Gold	1,895.10	0.09
Reuters CRB Index	167.80	0.67
MBB KL	8.46	-0.28

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