

Weekly Report

Market Overview



U.S. stocks rose as investors priced in large fiscal stimulus

Review: The “blue wave” scenario materialized after the Democrats won the Georgia run-offs and took control of the Senate. Dow Jones, S&P 500 and Nasdaq rose 1.61%, 1.83% and 2.43% respectively.

Outlook: Investors are now pricing in the impact a “blue wave”, which includes a large fiscal stimulus package aimed at boosting jobs and green energy. We expect the upward trajectory for U.S. equities to be maintained in 1Q21.



Europe stocks rose last week due to positive market sentiment

Review: Europe equities rose last week as investors looked past record high coronavirus infections and stringent lockdown measures, and priced in the materialization of the “blue wave” scenario in U.S. politics. MSCI Europe Index rose 3.13% last week.

Outlook: We expect the upward trend in the short term to continue due to optimistic market sentiment. In the medium to long term, stimulus measures such as the European Recovery Fund, ECB stimulus policies and low valuations will benefit Europe equities.



Chinese equities rose despite Chinese telcos U.S. delisting

Review: Chinese equities ended higher last week despite New York Stock Exchange's decision to delist three Chinese telcos, which may trigger a tit-for-tact response from the Chinese government. The Shanghai Composite Index rose 2.79% last week.

Outlook: China on Saturday (9/1) published new rules for countering “unjustified” laws and restrictions imposed by foreign nations on Chinese companies and citizens. U.S.-China tensions remain a key downside risk and may trigger some profit-taking in the near term. However, we remain bullish on Chinese equities due to favourable currency and interest rate differentials.



HSI rose for the second consecutive week

Review: The Hang Seng Index rose 2.38% last week, the second straight week of gains in spite of selling pressure on the three Chinese telcos singled out by the New York Stock Exchange for delisting.

Outlook: We expect the upward trajectory for Hong Kong equities to be maintained in the near term, following the strong performance of Chinese A-shares .



STI rose as risk appetite returned to markets

Review: The Straits Times Index jumped 5.25% last week and went past 2,900 level.

Outlook: Singapore equities' upward trend looks intact in the near term, as investors price in a global economic recovery, which will benefit the trade-dependent country. The STI will likely attempt to break the 3,000 level.

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Indonesian stocks rose last week after two straight weeks of decline



Review: The Jakarta Composite Index gained 4.66% last week as investors bet on a continued weakened USD in 2021, which will benefit the Rupiah and other EM currencies.

Outlook: Both equities and the currency will maintain the upward momentum in the near term, given the pricing in of a “blue wave” in U.S. politics and the continued depreciation of the USD. Investors should take note that the concern over the independence of Bank Indonesia remains a risk factor.

KOSPI recorded 9.70% weekly gains



Review: KOSPI surged 9.70% last week, boosted by index heavyweight Samsung Electronics and other Korean tech companies. Samsung Electronics reported a 26% jump in operating income while South Korean media reported Hyundai Motor was in talks with Apple to develop self-driving vehicles.

Outlook: South Korea equities are expected to continue rising in the near term, as investors bet on a global economic recovery and South Korea’s semiconductor firms to benefit from the global push for 5G infrastructure and related products, as well as clean-energy related products (batteries and EVs).

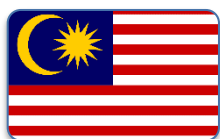
Japanese stocks rose last week together with Asian equities



Review: The Nikkei 225 Index ended the week in positive territory, gaining 2.53% as investors were bullish last week.

Outlook: A strong JPY (USDJPY at 103.94) may hurt export-oriented companies while the recovery in services sector will be impacted by the seriousness of the outbreak domestic and globally. We remain neutral on Japanese equities.

Malaysia equities underperformed regionally



Review: The KLCI rose just 0.37% last week, the worst underperforming Asian equity index. Investors were negative over rising coronavirus infections and the termination of KL-Singapore High Speed Rail.

Outlook: Malaysian equities should rise in the coming weeks given the weak dollar, but the KLCI will remain rangebound due to concerns over potential stricter lockdown measures.

Thai equities recorded strongest performance in six weeks



Review: The SET index rose 6.01% last week, as globally market sentiment was optimistic and investors priced in a continued weak USD after the Democrats took control of the U.S. Senate.

View: The tourism industry’s slow recovery is expected to be a drag factor on Thai consumer discretionary and hospitality stocks. Investors however will start to price in the recovery in the Thai tourism industry as global mass vaccination continues.

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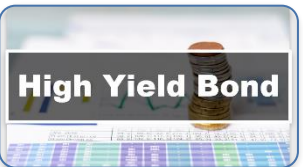
Global Bonds



Demand for government bonds fell as risk appetite rose

Review: The FTSE World Government Bond Index (WGBI) fell 0.53% last week, as risk appetite rose globally.

Outlook: We expect safe haven assets such as government and investment grade bonds to underperform relative to riskier fixed income in the near term.



Demand for high yield bond rose on improving risk appetite

Review: The Bloomberg Barclays Global High Yield Index rose 0.14%, led by Pan European high yield (+0.53%) and U.S. high yield (+0.23%).

Outlook: The central banks' accommodative policy support and low interest rate environment should continue to boost investors' interest for high yield bonds in the near term.



USD strengthening led to profit-taking in EM bonds

Review: The Bloomberg Barclays EM USD Aggregate Bond Index fell 0.81% last week as the greenback strengthened. U.S. nonfarm payrolls fell in December, the first time in eight months.

Outlook: We see last week's correction in EM bonds as temporary. Factors such as low interest rates especially in developed markets and the expected continued weakness in USD should continue to benefit EM bonds.



Commodities



Gold prices fell 2.62%

Review: Spot Gold fell last week as the USD strengthened towards the end of the trading week and U.S. Treasury yields spiked, and closed at US\$1849.01/oz, down 2.62%.

Outlook: We believe spot gold will trade above US\$1800/oz in the near term, as the Fed is unlikely to hike interest rate soon and monetary policies will remain accommodative.



Crude oil prices rose on Saudi Arabia's pledge to cut output

Review: Oil prices rose to 11-month high, supported by Saudi Arabia's pledge to voluntarily cut extra 1mil bpd in February and March as part of a deal under which most OPEC+ members will hold production steady during new lockdowns. Brent rose 8.09% to US\$55.99/bbl while WTI rose 7.67% to US\$52.24/bbl.

Outlook: Oil prices should continue to fluctuate around US\$50/bbl as long oil production cuts remained disciplined and reasonable given the new lockdown measures imposed to stem coronavirus infections.

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Major market indexes

Index Name	Price	Return (Weekly)	Return (Monthly)	Return (Annual)	Return (YTD)	Return (3Y)	Return (5Y)	Return (10Y)
Hang Seng Composite	27548.52	2.38	5.98	-0.75	2.38	-10.10	36.30	17.33
Hang Seng China Enterprise	10796.73	2.02	5.24	-1.12	2.02	-10.61	23.85	-15.19
Shanghai Composite	3576.21	2.79	4.69	16.41	2.79	4.58	12.04	27.32
Shenzen Composite	2426.66	3.87	5.47	36.73	3.87	23.94	22.28	93.30
Dow Jones Industrial	31041.13	1.61	3.06	8.19	1.61	22.50	90.24	166.43
S&P 500	3803.79	1.83	3.31	17.57	1.83	39.01	98.99	200.10
NASDAQ COMPOSITE	13067.48	2.43	4.92	44.61	2.43	84.29	184.30	385.93
FTSE 100	6856.96	6.39	4.79	-9.26	6.39	-11.10	16.25	14.29
DAX	13968.24	2.41	5.81	5.48	2.41	4.96	42.64	102.40
NIKKEI 225	27490.13	2.53	6.32	21.26	2.53	17.98	59.00	167.72

Source: Bloomberg. As of 2021/01/08

Economic data

Country	Event	Previous	Forecast	Actual	Expectation
US	Initial Jobless Claims end Jan 2	790,000	800,000	787,000	Above
US	Change in Non-farm Payrolls	336,000	50,000	-140,000	Below
US	ISM Manufacturing	57.5	56.8	60.7	Above
EU	Markit Eurozone Composite PMI	49.8	49.8	49.1	Below
China	Caixin China Manufacturing PMI	54.9	54.7	53.0	Below
SG	Annual GDP YoY	0.7%	-6.0%	-5.8%	Above

Source : Bloomberg 2021/01/08

Bond/Forex

Bond Instrument	Price	Change(%)	Yield (%)	Currency	Price	Return (Weekly)	Return (Monthly)	Return (YTD)
US Treasury 30Y	94.75	-4.77	1.85	USD/HKD	7.75	0.04	0.06	-0.25
US Treasury 10Y	98.08	-1.54	1.08	HKD/CNH	0.83	-0.93	-0.93	-6.57
US Treasury 5Y	99.58	-0.48	0.46	USD/CNH	6.47	-0.58	-0.85	-6.80
US Treasury 2Y	99.97	-0.04	0.14	USD/JPY	103.81	0.72	-0.21	-4.75
US Tbill 3M	0.08	4.84	0.08	USD/CAD	1.27	-0.20	-0.91	-2.58
China Govt Bond 10Y	101.18	0.42	3.13	GBP/USD	1.36	-0.76	1.59	3.60
Japan Govt Bond 10Y	100.64	-0.15	0.04	AUD/USD	0.78	0.82	4.67	12.98
German Bund 10Y	105.46	-0.20	-0.52	EUR/USD	1.23	0.02	0.94	10.02
UK Gilt 10Y	143.63	-0.79	0.28					

Source: Bloomberg. As of 2021/01/08

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