1 September 2021

Global Markets Research

Daily Market Highlights

01-Sep: Consumer sentiment dipped in the US

Stocks and treasuries retreated on last trading day of August

US consumer sentiment slumped amid Delta variant surge

China's services PMI contracted for the first time since February 2020

- US equity benchmarks retreated slightly while yields rose on the last trading day of August as investors weighed weaker US data. The S&P 500 (-0.1%) and NASDAQ (-0.04%) slipped from their record high levels on Tuesday alongside a lower Dow (-0.1%). Nonetheless, all benchmarks finished the month with solid gains, powered by strong corporate earnings with the NASDAQ (+4.0% m/m) outperforming the S&P 500 (+2.9% m/m) and Dow (+1.2%).

- Treasury yields ticked higher as investors bought bonds at month-end while the plunge in a key US consumer sentiment index may have fuelled the buying in safe haven US treasuries as well. The benchmark 10Y yield rose 3bps to 1.31%. The dollar index ended the session little changed at 92.63 as the USD recorded mixed performances across the board. The NZD was the top gainer among the G10 currencies as New Zealand government partially eased some lockdown restrictions.

- USD/MYR pulled back on Monday (-0.9%) for the sixth consecutive session, closing at 4.1550 ahead of Tuesday's public holiday; reversing the advance made in nearly two months and marked its worst session since early June last year. The breaking of multiple support levels in the past week has reinstated the bearishness in the pair as it eyes 4.15 support but the oversold condition may lead to some recovery in the short term.

- Gold prices rose modestly on Tuesday amid unclear USD direction. Gold futures advanced 0.3% to $1815.8/oz. Crude oil prices were down on Tuesday where Brent crude was seen settling at $72.99/barrel (-0.6%) and WTI last traded at $68.5/barrel (-1.0%). August was their worst month since October last year. OPEC+ will meet today and are expected to carry on with the planned output increases.

US consumer sentiment collapsed in August:

- A final report confirmed that the University of Michigan consumer sentiment index slumped by 13.4% m/m to 70.3 in August (Jul: 81.2). The index had only recorded such steep loss in six other monthly surveys since 1978. The collapse in confidence reflects "surging Delta variant, higher inflation, slower wage growth, and smaller declines in unemployment" as well as an "emotional response" from "dashed hopes that the pandemic would soon end and lives could return to normal". Both the gauges for present situation (-9.9pts) and expectations (-12.4pts) were down.

US house prices rose at record pace:

- US house prices rose at a record pace in June as strong housing demand chasing limited inventory helped push up prices at a double-digit rate for the seventh consecutive month. The S&P Case Schiller National Home Price Index rose 18.6% y/y in June (May: +16.8%), marking its largest y/y gain in the index's history.
- Meanwhile, the MNI Chicago PMI fell to 66.8 in August (Sep: 73.4), indicating a slower rate of expansion in Chicago area's manufacturing activity.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	35,360.73	-0.11
S&P 500	4,522.68	-0.13
NASDAQ	15,259.24	-0.04
Stoxx 600	470.88	-0.38
FTSE 100	7,119.70	-0.40
Nikkei 225	28,089.54	1.08
Hang Seng	25,878.99	1.33
Straits Times	3,055.05	-1.52
KLCI 30	1,601.38	0.71
FX		
Dollar Index	92.63	-0.03
EUR/USD	1.1809	0.10
GBP/USD	1.3755	-0.04
USD/JPY	110.02	0.09
AUD/USD	0.7316	0.27
USD/CNH	6.4542	-0.17
USD/MYR*	4.1550	-0.85
USD/SGD	1.3449	-0.05
Commodities		
WTI ($/bbl)	68.50	-1.03
Brent ($/bbl)	72.99	-0.57
Gold ($/oz)	1,815.80	0.33

**Last price for 30 Aug 2021*
Source: Bloomberg, HLBB Global Markets Research

Eurozone's inflation surged in August:

- The euro area's HICP inflation rate turned positive at +0.4% m/m in August (Jul: -0.1%) according to a preliminary reading, fuelled by the reopening of the economy in recent months. This brought the annual inflation rate to a decade high of 3.0% y/y (Jul: +2.2%), beating the consensus estimate of 2.7%. The underlying inflation gauge also jumped sharply to 1.6% y/y (Jul: +0.7%), presenting a new challenge to the ECB which had repeatedly assured markets that the rising inflation was transitory. It has recently recalibrated its stance to what many seen as favouring a longer-term accommodative policy. The Governing Council will meet next week.

Japan's jobless rate fell in July:

- Japan's jobless rate fell to 2.8% in July (Jun: 2.9%) as the labour market unexpectedly strengthened in the month where the country hosted the Summer Olympics. Participation also inched higher to 62.5% (Jun: 62.4%) reflecting the return of workers following the relaxation of Covid restrictions in June while the job-to-applicant ratio also picked up to 1.15 (Jun: 1.13).
- In a separate report, industrial production fell 1.5% m/m in July, following a sharp 6.5% growth in June. Output was 11.6% y/y higher (June: +23.0%) compared to the same month last year.

China's services PMI contracted in August:

- China's NBS official non-manufacturing PMI, a gauge for the country's services and construction sectors unexpectedly plummeted to 47.5 in August (Jul: 53.3), marking its first contraction since February last year. The new Covid outbreak in China and its related restrictions were spurred by the rapid spread of the Delta variant, weighing on the services sector which had already showed signs of weakening in the past few months.
- The NBS manufacturing PMI meanwhile slipped to 50.1 in August (Jul: 50.4), indicating only a marginal growth in factory activities. The slowdown reflects contracting new orders as well as new export orders as well as worker layoffs.

Retail sales growth slowed in Hong Kong ahead of government's vouchers distribution:

- Hong Kong's retail sales rose 2.9% y/y in July, slowing down from the 5.8% rate in June. The slowdown in sales came ahead of the August distribution of government's electronic vouchers to boost spending. On a month-on-month basis, sales were down for the second consecutive months by 3.0% (June: -5.0%).

Business confidence tumbled in New Zealand:

- New Zealand's business confidence dipped by over 10pts to -14.2 in August (Jul: -3.8), marking its third successive negative reading. The sharp decline in sentiment partially reflected the impact of the nation-wide lockdown following the emergence of a Covid-19 community case and the subsequent outbreak last month. ANZ said that other indicators were already showing signs of weaker momentum even before the lockdown- activity outlook, investment and capacity utilisation fell for the third consecutive month.

House View and Forecasts

FX	This Week	3Q-21	4Q-21	1Q-22	2Q-22
DXY	92.90-94.00	92.00	91.50	90.00	89.00
EUR/USD	1.16-1.18	1.18	1.19	1.21	1.22
GBP/USD	1.35-1.38	1.40	1.41	1.43	1.45
AUD/USD	0.73-0.74	0.74	0.74	0.76	0.77
USD/JPY	109.50-110.50	109.00	108.00	107.00	105.00
USD/MYR	4.15-4.20	4.23	4.20	4.20	4.15
USD/SGD	1.34-1.36	1.35	1.35	1.34	1.33

Policy Rate %	Current	3Q-21	4Q-21	1Q-22	2Q-22
Fed	0.25-0.50	0.25-0.50	0.25-0.50	0.25-0.50	0.25-0.50
ECB	-0.50	-0.50	-0.50	-0.50	-0.50

BOE	0.10	0.10	0.10	0.10	0.10
RBA	0.10	0.10	0.10	0.10	0.10
BOJ	-0.10	-0.10	-0.10	-0.10	-0.10
BNM	1.75	1.75	1.75	1.75	1.75
Fed	0.25-0.50	0.25-0.50	0.25-0.50	0.25-0.50	0.25-0.50

Source: HLBB Global Markets Research

Up Next

Date	Events	Prior
01/09	VN Markit Vietnam PMI Mfg (Aug)	45.1
	MA Markit Malaysia PMI Mfg (Aug)	40.1
	JP Jibun Bank Japan PMI Mfg (Aug F)	52.4
	AU GDP SA QoQ (2Q)	1.8%
	CN Caixin China PMI Mfg (Aug)	50.3
	EZ Markit Eurozone Manufacturing PMI (Aug F)	61.5
	UK Markit UK PMI Manufacturing SA (Aug F)	60.1
	EZ Unemployment Rate (Jul)	7.7%
	US MBA Mortgage Applications (27 Aug)	1.6%
	US ADP Employment Change (Aug)	330k
	US Markit US Manufacturing PMI (Aug F)	61.2
	US Construction Spending MoM (Jul)	0.1%
	US ISM Manufacturing (Aug)	59.5
02/09	AU Exports MoM (Jul)	4.0%
	AU Home Loans Value MoM (Jul)	-1.6%
	US Initial Jobless Claims (28 Aug)	353k
	US Trade Balance (Jul)	-$75.7b
	SG Purchasing Managers Index (Aug)	51.0
	US Factory Orders (Jul)	1.5%

Source: Bloomberg

Hong Leong Bank Berhad
Fixed Income & Economic Research,
Global Markets
Level 8, Hong Leong Tower
6, Jalan Damanlela
Bukit Damansara
50490 Kuala Lumpur
Tel: 603-2081 1221
Fax: 603-2081 8936
HLMarkets@hlbb.hongleong.com.my

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