1 October 2021

Global Markets Research
Daily Market Highlights

01-Oct: USD strength reversed as yields fell

The S&P 500 eked out small quarterly gain in 3Q
USD weakened against most majors amid lower yields
US initial jobless claims disappointed at 362k

- US stocks ended lower on the last trading day of 3Q even Congress managed to pass last-minute measures to avert a government shutdown. The Dow Jones was the worst performer among the main US benchmarks, shedding 547pts or 1.6% amid a selloff of in shares of cyclical companies; the S&P 500 lost 1.2% and NASDAQ was down by 0.4%.

- A tumultuous quarter characterised by expectations of Fed's normalization and slowing economic growth led the Dow to shed 1.9% q/q, marking its first quarterly decline since March last year during the start of the global pandemic. The S&P 500 eked out a small 0.2% q/q gain while NASDAQ lost 0.4% q/q.

- Treasury yields continued to fall on Thursday after a selloff earlier of the week that drove up yields sharply; the benchmark 10Y UST yield ended 2.9bps lower at 1.49%. Fed Chair Jerome Powell warned of longer inflation as he testified alongside Secretary Janet Yellen before the House Financial Services Committee.

- The dollar weakened amid lower yields and disappointing jobless claims data. The dollar index snapped a four-day winning streak to record a small 0.1% fall to 94.23. USD fell against most G10 currencies except EUR and DKK.

- USD/MYR continued to trade on a flat note for the fourth consecutive session, closing little changed at 4.1860 on Thursday. Daily outlook is neutral as the pair is expected to see another muted session amid a lack of drivers.

- Gold prices advanced amid a USD reversal; futures rallied by nearly 2.0% to $1755.30/oz. Crude oil benchmarks recorded mixed performances with Brent crude closing 0.2% lower at $78.52/barrel and WTI 0.3% higher at $75.03/barrel.

US initial jobless claims rose to 362k:

- Initial jobless claims came in at 362k last week, higher than the forecast of 330k. This represents a 11k increase in first time claimants compared to the previous week (351k), suggesting that hiring activity had been impeded by the lack of labour supply as well as the spread of the Delta variant.
- The US 2Q GDP growth was revised slightly higher to 6.7% q/q annualised rate (2Q: +6.3%), from 6.6% previously, reflecting continued growth following the reopening of the economy.
- The MNI Chicago PMI slipped to 64.7 in September (Aug: 66.8), indicating a slower rate of growth in the Chicago area's manufacturing activity.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	33,843.92	-1.59
S&P 500	4,307.54	-1.19
NASDAQ	14,448.58	-0.44
Stoxx 600	454.81	-0.05
FTSE 100	7,086.42	-0.31
Nikkei 225	29,452.66	-0.31
Hang Seng	24,575.64	-0.36
Straits Times	3,086.70	0.40
KLCI 30	1,537.80	-0.64
FX		
Dollar Index	94.23	-0.11
EUR/USD	1.1580	-0.16
GBP/USD	1.3474	0.35
USD/JPY	111.29	-0.60
AUD/USD	0.7227	0.71
USD/CNH	6.4492	-0.44
USD/MYR	4.1860	0.05
USD/SGD	1.3577	-0.24
Commodities		
WTI ($/bbl)	75.03	0.27
Brent ($/bbl)	78.52	-0.15
Gold ($/oz)	1,755.30	1.96

Source: Bloomberg, HLBB Global Markets Research

Eurozone's recorded lower unemployment rate:

- The Eurozone's unemployment rate edged lower to 7.5% in August, from 7.6% in July as the bloc continued to witness more hiring drives amid the current economic recovery. Looking at the region's largest economies, unemployment rate fell in Spain (14.0%) and Portugal (6.4%) but remained unchanged in Germany (3.6%), Italy (9.3%) and France (8.0%)

UK 2Q GDP growth revised higher to 5.5% q/q:

- The UK's second quarter GDP growth was revised higher to 5.5% q/q, from the initial estimate of 4.8%. The latest reading left the GDP level 3.3% below its pre-pandemic level in 4Q19. In the first quarter, the economy had contracted by 1.4% q/q. The easing in Covid-19 restrictions and subsequent normalisation of economic activity had boosted growth which was driven largely by wholesale and retail trade, accommodation and food service activities, education and human health, as well as social work activities. On a year-on-year basis, GDP growth was revised upwards to 23.6% (1Q: -5.8% y/y), from 22.2% in the initial estimate.

Japan's jobless rate unchanged at 2.8%; Tankan survey showed robust manufacturing sentiment:

- Japan's jobless rate remained unchanged at 2.8% in August (Jul: 2.8%), better than analysts' predicted rise to 2.9%. This indicates some resilience in the labour market conditions despite the expansion of the State of Emergency measure to most parts of the country. The separately released job-to-applicant ratio fell to 1.14 in the same month (Jul: 1.15) amid an increase in job applicants (+2.2% m/m) for the first time in four months. New job offers rose modestly (+0.9% m/m) following previous month's decline (-1.1% m/m).
- The BOJ's quarterly Tankan Survey showed that the Large Manufacturing Index rose for the fifth consecutive quarter to 18.0 in 3Q (2Q: 14.0) indicating robust manufacturing sentiment throughout Jul-Sep even though the supply chain constraints may have capped overall growth potential. The gauge of the sector's outlook rose just a little to 14.0 (2Q: 13.0) as firms foresee stable conditions ahead.

China reported mixed PMI readings:

- The NBS manufacturing PMI unexpectedly fell to 49.6 in September (Aug: 50.1), marking its first below-50 reading since last year at the onset of the global pandemic. NBS attributed the decline in the PMI to the widespread power crunch across China which had affected manufacturing activity adversely. The separately released Caixin China Manufacturing PMI diverged slightly as it turned neutral to 50.0 in the same month (Aug: 49.2).
- In contrast, the NBS non-manufacturing PMI turned around to the expansionary area this month as the Covid wave in China eased further. The gauge of services activity had fallen to the contraction level in August at 47.5 as China tighten rules to stem the outbreak.

Hong Kong's retail sales boosted by government vouchers:

- Hong Kong's retail sales rose 5.2% m/m in August following a 3.2% decline in the July, boosted by the government's distribution of HKD 5,000 online vouchers to spur spending in the city. This translates to a sharper 11.9% y/y gain in the same month (Jul: +2.8%), a four-month high. The higher sales reflect increase in fuel spending, as well as that on clothing & footwear, consumer durable goods and other consumer products.

New Zealand's consumer confidence weakened in September:

- The ANZ Consumer Confidence Index tumbled to 104.5 in September (Aug: 109.6) as the Delta variant continued to spread in New Zealand, marking its third weakening for three months in a row. Consumers further downgraded their economic outlook in the year ahead as the sub-indicator turned even more negative (-13 vs -5 prior). The climate to purchase major household items also slipped to negative territory (-7 vs 13 prior).

House View and Forecasts

FX	This Week	3Q-21	4Q-21	1Q-22	2Q-22
DXY	92-94	92.00	91.50	90.00	89.00
EUR/USD	1.16-1.18	1.18	1.19	1.21	1.22
GBP/USD	1.36-1.39	1.40	1.41	1.43	1.45
AUD/USD	0.72-0.74	0.74	0.74	0.76	0.77
USD/JPY	109-111	109.00	108.00	107.00	105.00
USD/MYR	4.16-4.20	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
01/10	VN Markit Vietnam PMI Mfg (Sep)	40.2
	MA Markit Malaysia PMI Mfg (Sep)	43.4
	JP Jibun Bank Japan PMI Mfg (Sep F)	51.2
	AU Home Loans Value MoM (Aug)	0.2%
	EZ Markit Eurozone Manufacturing PMI (Sep F)	58.7
	UK Markit UK PMI Manufacturing SA (Sep F)	56.3
	EZ CPI Estimate YoY (Sep)	3.0%
	US Personal Income (Aug)	1.1%
	US Personal Spending (Aug)	0.3%
	US PCE Core Deflator YoY (Aug)	3.6%
	US Markit US Manufacturing PMI (Sep F)	60.5
	US U. of Mich. Sentiment (Sep F)	71.0
	US Construction Spending MoM (Aug)	0.3%
	US ISM Manufacturing (Sep)	59.9
04/10	EZ Sentix Investor Confidence (Oct)	19.6
	SG Purchasing Managers Index (Sep)	50.9
	US Factory Orders (Aug)	0.4%

Source: Bloomberg

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