1 November 2021

Global Markets Research
Daily Market Highlights

01-Nov: Market eyes FOMC this week

US equities rallied in record setting session
Treasuries, dollar surged ahead of FOMC meeting
US wage growth climbed at record pace in 3Q

- US stocks advanced further to record highs on Friday, closing out October with solid gains as investors shrugged off less optimistic forward guidance by Apple and Amazon after both companies reported a lower-than-expected revenues. Stocks had been supported by positive corporate earnings for the past few weeks that showed that many large American firms fared well despite the global supply chain bottlenecks.

- On Friday, the Dow Jones picked up 0.3% d/d, bringing the monthly gain to 4.2%. The S&P 500 rose 0.2% d/d and 5.6% m/m. Tech-heavy NASDAQ climbed 0.3% and outperformed with a 6.4% m/m increase.

- In the bond market, the curve bull flattened as longer dated yields resumed decline on Friday after Thursday's modest increase. The yield on 10Y UST was down by 3bps to 1.55%. The dollar rallied against all major currencies on solid US consumer data and amid anticipation for this week's FOMC meeting as the Fed is expected to make a tapering announcement. The dollar index staged an impressive 0.8% jump to 94.12.

- In the commodity market, gold prices weakened against the background of USD strength. Futures traded over 1.0% lower on Friday at $1783.9/oz. Crude oil benchmarks recorded mixed performances; Brent crude held steadily at $84.38/barrel while WTI surged 0.9% to $83.57/barrel, narrowing the gap to less than $1/ barrel. OPEC+ revised downwards their expectations of a supply-demand mismatch ahead of the oil cartel's meeting this week. It predicted a 300k-barrel/day supply deficit in 4Q, compared to the initially expected 1.1mil daily shortfall. For the month, Brent crude rose 7.5 % while WTI locked in a whopping 11.4% gain.

- On the local front, USD/MYR finished Friday's session 0.2% lower at 4.1400 as investors monitored the tabling of the 2022 Budget with a record allocation of RM332b. The MOF set a growth target of 5.5-6.5% for 2022 and expects the budget deficit to be at RM97.5b or 6.0% of GDP. We expect the pair to remain neutral in the week ahead with a weekly range of 4.13-4.17 supported by expectations of a sustained recovery story of the Malaysian economy that will likely result in neutral BNM rhetoric in the upcoming MPC meeting on 3 November.

US wages surged at record pace in 3Q; personal spending growth held up in September:

- Wages surged at a record pace in the third quarter as US businesses resorted to increasing pays amid the rampant labour shortages. The quarterly released employment cost index jumped 1.3% q/q, much higher compared to the consensus estimate of 0.9% as well as the 0.7% increase in the second quarter. On a y/y basis,

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	35,819.56	0.25
S&P 500	4,605.38	0.19
NASDAQ	15,498.39	0.33
Stoxx 600	475.51	0.07
FTSE 100	7,237.57	-0.16
Nikkei 225	28,892.69	0.25
Hang Seng	25,377.24	-0.70
Straits Times	3,198.17	-0.18
KLCI 30	1,562.31	-0.29
FX		
Dollar Index	94.12	0.83
EUR/USD	1.1558	-1.05
GBP/USD	1.3682	-0.78
USD/JPY	113.95	0.33
AUD/USD	0.7518	-0.34
USD/CNH	6.4049	0.25
USD/MYR	4.1400	-0.24
USD/SGD	1.3488	0.31
Commodities		
WTI ($/bbl)	83.57	0.92
Brent ($/bbl)	84.38	0.07
Gold ($/oz)	1,783.90	-1.04

Source: Bloomberg, HLBB Global Markets Research employment cost rose 3.7% (2Q: +2.9%), marking its fourth consecutive acceleration since 4Q20.

- In a separate release, personal income fell 1.0% m/m in September (Aug: +0.2%) mainly because the lower payment of unemployment benefits offset the continuous increase in wages and compensation.
- Personal spending still managed to pick up 0.6% m/m, following the upwardly revised 1.0% gain a month ago. The core PCE inflation increased 0.2% m/m (Aug: +0.3%) and 3.6% y/y (Aug: +3.6%) as price pressure remained elevated.
- The University of Michigan Consumer Sentiment Index slipped just a little to 71.7 in October, from 72.8 in September, indicating stabilising consumer confidence as the concerns surrounding the Delta variant waned.
- The MNI Chicago Manufacturing PMI climbed to 68.4 in October (Sep: 64.7), pointing to expansion of factory activities.

Eurozone's 3Q growth at 2.2%; inflation shot to record high of 4.1%:

- The Eurozone economy expanded more than expected in the third quarter, supported by strong consumption as Covid-restrictions were eased. Advance estimate shows that GDP growth for the single-currency area came in at 2.2% q/q, slightly higher than the consensus forecast of 2.1%. Growth in 2Q was revised lower from 2.2% to 2.1%. Compared to the same period last year, GDP growth was much lower at 3.7% y/y (2Q: +14.2%) as the low base effect waned.
- The HICP inflation unexpectedly accelerated to 0.8% m/m in October (Sep: +0.5%), compared to the forecast of 0.5%. The annual rate of inflation shot to an all-time high of 4.1% y/y (Sep: +3.4%), reflecting a surge in energy prices (+23.5% vs +17.6%) and services cost (+2.1% vs +1.7% prior). Underlying inflation climbed as well with the core CPI rate picking up to 2.1% y/y (Sep: +1.9%)

China's manufacturing PMI showed deeper contraction in October:

- The NBS manufacturing PMI slumped to 49.2 in October (Sep: 49.6), marking its second consecutive month of contractionary reading. This was attributed to the electricity shortages, higher commodity cost and supply chain constraints.
- Meanwhile, the non-manufacturing PMI remained in positive territory but recorded weaker than expected print last month at 52.4 (Sep: 53.2) as Covid-related rules and consumer wariness weighed on the services industry.

Australia's retail sales beat expectations:

- Australia's retail sales growth beat expectations at 1.3% m/m in September, following the 1.7% drop in August. This is higher than the consensus forecast of 0.4% and marked its first gain since May and sales were lifted by the relaxation of restrictions in the east coast of Australia. Breakdown shows that sales of household goods and apparels rose alongside dine-in at cafes and restaurants amid a return of consumers.

Mixed Vietnam data as restrictions eased:

- The Vietnamese economy embarked on a recovery last month following the end of the three-month long lockdown in Ho Chi Minh City and the wider south. However, the latest set of economic data were mixed, indicating some challenges to return to normalcy. Industrial production rose 6.9% m/m in October (Sep: +5.0%), translating to a smaller 1.6% y/y decline (Sep: -5.5%). Exports turned around to increase 0.3% y/y (Sep: -0.6%) albeit hugely missing forecast while imports rose 8.1% y/y (Sep: +9.5%). The struggle in the retail sector was pronounced as retail sales for the first 10 months of 2021 registered a record 8.6% y/y decline. CPI inflation eased to 1.8% y/y (Aug: +2.1%) as price pressure weakened further.

House View and Forecasts

FX	This Week	4Q-21	1Q-22	2Q-22	3Q-22
DXY	92-94	94.50	95.00	95.50	96.50
EUR/USD	1.15-1.18	1.15	1.14	1.14	1.13

GBP/USD	1.36-1.39	1.35	1.35	1.34	1.33
AUD/USD	0.74-0.77	0.72	0.71	0.71	0.70
USD/JPY	112-115	112	113	114	115
USD/MYR	4.13-4.17	4.15	4.15	4.15	4.15
USD/SGD	1.33-1.36	1.35	1.34	1.33	1.34

Policy Rate %	Current	4Q-21	1Q-22	2Q-22	3Q-22
Fed	0-0.25%	0-0.25%	0-0.25%	0-0.25%	0-0.25%
ECB	-0.50	-0.50	-0.50	-0.50	-0.50
BOE	0.10	0.10	0.10	0.10	0.25
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

Source: HLBB Global Markets Research

Up Next

Date	Events	Prior
01/11	VN Markit Vietnam PMI Mfg (Oct)	40.2
	MA Markit Malaysia PMI Mfg (Oct)	48.1
	JP Jibun Bank Japan PMI Mfg (Oct F)	53.0
	AU Home Loans Value MoM (Sep)	-4.3%
	CN Caixin China PMI Mfg (Oct)	50.0
	HK GDP YoY (3Q A)	7.6%
	EZ Markit Eurozone Manufacturing PMI (Oct F)	58.5
	UK Markit UK PMI Manufacturing SA (Oct F)	57.7
	US Construction Spending MoM (Sep)	0.0%
	US ISM Manufacturing (Oct)	61.1
	US Markit US Manufacturing PMI (Oct F)	59.2
02/11	AU RBA Cash Rate Target (02 Nov)	0.1%
	HK Retail Sales Value YoY (Sep)	11.9%
	SG Purchasing Managers Index (Oct)	50.8

Source: Bloomberg

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