

2 September 2021

Global Markets Research

Daily Market Highlights

02-Sep: Disappointing US private payrolls

Treasury yields slipped on huge ADP miss

Manufacturing growth capped by supply chain disruption in the West

Australia's GDP growth beat forecasts

- Stocks generally rose on Wednesday in the US as investors weighed strong US manufacturing and construction data against the lower-than-expected ADP job gains. The S&P 500 (-0.03%) ended the session on a flat note as it hovered at its all-time high level while tech-heavy NASDAQ (+0.3%) hit a fresh-high. The Dow (-0.1%) slipped for the third session.
- Treasury yields fell modestly at the medium to long end on the disappointing ADP job data. The benchmark 10Y yield ticked lower by 1.5bps to 1.29%. The weakness in the dollar extended into a fourth consecutive session as the USD weakened against most G10 currencies. The dollar index registered its fourth consecutive decline (-0.2%) to 92.45.
- USD/MYR weakened to as low as 4.1435 on Wednesday before rebounding to end at 4.1545, little changed from the previous session's closing. This is in line with our view that the breaking of multiple support levels in the past week has reinstated the bearishness in the pair but the oversold condition may lead to some recovery in the short term.
- Gold futures fell moderately (-0.1%) to \$1813.8/oz amid some profit taking activities. OPEC+ retained its plan to hike oil output in October by 400k barrels a day. Brent crude was sold off for the second day and at a more intensifying rate (-1.9%), settling at \$71.59/barrel. The US benchmark WTI inched slightly higher (+0.1%) to \$68.59/barrel.

US private firms added 374k jobs:

- The US private sector employed fewer people than expected in August as the ADP payrolls gained by a mere 374k, compared to consensus estimates of 625k. July's job gains were revised lower to 326k (from 330k initially). The disappointing report reflects US firms' ongoing struggles to locate workers and the recent surge in the Covid-19 cases may have contributed partly to a slowdown in job growth as well. The official nonfarm job report is slated for a Friday's release as usual and a Bloomberg survey currently shows an expected job gain of 725k in August, slowing from the 943k increase in July.

US construction spending rose in July:

- Construction spending rose 0.3% m/m in July (Jun: 0.0%), better than the estimated increase of 0.2% m/m. The spending in the private residential construction continued to pick up amid the still robust housing demand but supply chain constraint remains a challenge for the sector to source input. Non-seasonally data showed that total construction spending was up by 8.5% compared to the same month last year.
- A separate note showed that US mortgage applications fell 2.4% w/w last week (prior: +1.6%), driven by the decline (-3.8%) in refinancing applications. Applications to purchase homes rose just a little (+0.6% w/w).

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	35,312.53	-0.14
S&P 500	4,524.09	0.03
NASDAQ	15,309.38	0.33
Stoxx 600	473.12	0.48
FTSE 100	7,149.84	0.42
Nikkei 225	28,451.02	1.29
Hang Seng	26,028.29	0.58
Straits Times	3,087.84	1.07
KLCI 30	1,586.89	-0.90
FX		
Dollar Index	92.45	-0.19
EUR/USD	1.1839	0.25
GBP/USD	1.3770	0.11
USD/JPY	110.01	-0.01
AUD/USD	0.7366	0.68
USD/CNH	6.4519	-0.04
USD/MYR	4.1545	-0.02
USD/SGD	1.3446	-0.02
Commodities		
WTI (\$/bbl)	68.59	0.13
Brent (\$/bbl)	71.59	-1.92
Gold (\$/oz)	1,813.80	-0.11

Source: Bloomberg, HLBB Global Markets Research

Manufacturing growth capped by supply chain disruption in the West; Covid outbreaks weighed on Asian factory activity:

- The US manufacturing PMIs suggest that factory activity growth stayed intact in August. The ISM manufacturing index came in slightly higher (59.9 vs 59.5 prior). The Markit reading retreated last month but still at historically elevated levels (61.1 vs 63.4). Most ISM respondents highlighted the supply chain constraints related to overseas' Covid related shutdown as the major challenge.
- Manufacturing activity too remained robust in Europe as both the Eurozone and UK continued to report above-60 PMI readings. The Eurozone's gauge slipped a little to 61.4 (Jul: 62.8) while the UK reading was little changed at 60.3 (Jun: 60.4).
- The surge in Covid cases in Asia and the related restrictions weighed on the already strained supply chain, driving down output. China's Caixin manufacturing PMI fell below 50 in August, to 49.2 (Jul: 50.3), marking its first contraction since April 2020. Japan's manufacturing activity grew at a slower pace in August (52.7 vs 53.0 prior). In South East Asia, Vietnam, Indonesia and Malaysia's manufacturing PMIs all remained at 40s levels, indicating continuous contractions.

Australia's GDP growth beat estimate:

- The Australian economy expanded by 0.7% q/q in the second quarter, beating the consensus forecast of 0.4% q/q. Nonetheless, the growth rate represents a slowdown from the upwardly revised 1.9% q/q growth in the first quarter. Net exports were a drag, subtracting 1ppts from the q/q headline growth. Imports had risen in the second quarter prior to the regional lockdowns announced in the second half of June while export growth slowed on the back of weaker Chinese demand. Consumption contributed 0.9ppts while private investment added 0.3ppts. On a year-on-year basis, growth was inflated to 9.6% y/y in 2Q (1Q: +1.3%) by a low base.

Eurozone's jobless rate dropped to 7.6%:

- The Eurozone's unemployment rate fell to 7.6% in July, from 7.8% previously, marking its third consecutive month of decline. The strengthening of the labour market was a result of economic reopening with nearly all member states reporting lower jobless rates.

House View and Forecasts

FX	This Week	3Q-21	4Q-21	1Q-22	2Q-22
DX	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
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

03/09	SG Purchasing Managers Index (Aug)	51.0
	US Factory Orders (Jul)	1.5%
	SG Markit Singapore PMI (Aug)	56.7
	HK Markit Hong Kong PMI (Aug)	51.3
	JP Jibun Bank Japan PMI Services (Aug F)	43.5
	CN Caixin China PMI Services (Aug)	54.9
	SG Retail Sales YoY (Jul)	25.8%
	EZ Markit Eurozone Services PMI (Aug F)	59.7
	UK Markit/CIPS UK Services PMI (Aug F)	55.5
	EZ Retail Sales MoM (Jul)	1.50%
	US Change in Nonfarm Payrolls (Aug)	943k
	US Unemployment Rate (Aug)	5.4%
	US Average Hourly Earnings YoY (Aug)	4.0%
	US Markit US Services PMI (Aug F)	55.2
	US ISM Services Index (Aug)	64.1

Source: Bloomberg

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