2 November 2021

Global Markets Research

Daily Market Highlights

02-Nov: US stocks advanced to record highs

Dow Jones briefly hit 36,000 before erasing some intraday gains

Dollar strength paused ahead of FOMC meeting

US ISM index softened somewhat but remained elevated

- Wall Street stocks rose modestly on Monday, leaving all three major indexes to close at record levels at the start of a new month amid continuous corporate earnings optimism and relatively solid ISM data. Bloomberg reported that over 80% of companies in the S&P 500 releasing their third quarter results have beaten analysts' estimates. The Dow Jones briefly crossed 36,000 for the first time in history before paring intraday gains to close 0.3% higher for the day. The S&P 500 picked up 0.2% while NASDAQ outperformed slightly with a 0.6% gain.

- Treasuries traded on a mixed note as investors parsed the ISM PMI while anticipating a tapering announcement by the Federal Reserve this week as well as October's official job report. The yield on 10Y UST was little changed at 1.56% (+0.4bps). Meanwhile, the dollar weakened against most G10 currencies, erasing some gains made last Friday. The dollar index shed 0.3% to 93.88. GBP tumbled against the USD and EUR amid growing Brexit tensions despite rate hike expectations this week.

- USD/MYR closed Monday's session 0.3% higher at 4.1515. We expect the pair to remain neutral this week 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.

- Gold prices advanced amid the pause in dollar strength, leaving futures 0.7% higher at $1795.8/oz. Crude oil prices increased modestly as markets monitored the COP26 Summit in Glasgow while awaiting outcomes of the OPEC+ meeting this week. Brent crude climbed 0.4% to $84.71/barrel while WTI rose 0.6% to $84.05/barrel.

- The RBA's policy decision is in focus today amid rampant speculations that the central bank may abandon its yield curve target measures after the recent bond market rout.

US ISM PMI maintained momentum at above-60 level; South East Asian manufacturing returned to expansion after authorities eased Covid restrictions:

- The US ISM Manufacturing Index slipped to 60.8 in October (Sep: 61.1); the above-60 reading indicates that the manufacturing sector continue to expand at healthy pace. New orders turned softer last month while prices continued to accelerate with nearly all surveyed sub-sectors lamenting about the worsening supply chain challenges. The separately released October Markit Manufacturing PMI also painted a similar picture; the index was revised lower to 58.4 in the final reading, down from initial estimate of 59.2 and September's 60.7.
- The UK's manufacturing PMI rose to 57.8 in October, (Sep: 57.1) reflecting higher new orders but output growth was constrained by supply chain bottlenecks.
- Japan's manufacturing PMI rose to 53.2 in October (Sep: 51.5) as the sector strengthened further following the lifting of the State of Emergency measures.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	35,913.84	0.26
S&P 500	4,613.67	0.18
NASDAQ	15,595.92	0.63
Stoxx 600	478.87	0.71
FTSE 100	7,288.62	0.71
Nikkei 225	29,647.08	2.61
Hang Seng	25,154.32	-0.88
Straits Times	3,219.05	0.65
KLCI 30	1,530.92	-2.01
FX		
Dollar Index	93.88	-0.26
EUR/USD	1.1606	0.42
GBP/USD	1.3665	-0.12
USD/JPY	114.00	0.04
AUD/USD	0.7526	0.11
USD/CNH	6.3942	-0.17
USD/MYR	4.1400	0.27
USD/SGD	1.3485	-0.02
Commodities		
WTI ($/bbl)	84.05	0.57
Brent ($/bbl)	84.71	0.39
Gold ($/oz)	1,795.80	0.67

Source: Bloomberg, HLBB Global Markets Research

- Neighbouring China's Caixin PMI rose slightly to 50.6 (Sep: 50.0), a pleasant surprise. This came as the official NBS PMI slipped further down the contractionary area in the same month, attributed to power crunch, strict Covid policy and supply side constraints.
- Manufacturing activities expanded at faster rates in key South East Asian economies last month amid the easing of Covid-related restrictions in the region. For instance, PMI readings for Vietnam (52.1 vs 40.2 prior), Malaysia (52.2 vs 48.1) and Thailand (50.9 vs 48.9) bounced back to above-50 levels to indicate growth while Indonesia's PMI (57.2 vs 52.2) grew at a record rate.

US construction fell for the first time in seven months:

- Construction spending in the US unexpectedly fell 0.5% m/m in September, below the consensus estimate of 0.3% and down from the 0.1% growth in August. This marked its first drop in seven months amid a broad-based decline across all sub-sectors. The spending in the private residential sector (-0.4% m/m) has turned weaker for the past three months, partially attributed to the supply chain bottlenecks, but the recent rebound in homebuilding sentiment is a positive sign of an imminent turnaround in spending.

Hong Kong's GDP growth slowed in 3Q:

- Hong Kong's GDP growth fell short of expectations in the third quarter of 2021. According to a preliminary report, the economy expanded by a mere 0.1% q/q following a 0.9% contraction in the previous quarter. This is lower than the consensus estimates of 0.6%. On a y/y basis, GDP growth decelerated to 5.4%, from 7.6% prior, also below consensus forecast of 5.7%. The slower than expected growth reflects the city's strict Covid-19 policy as it is working towards reopening the border with neighbouring China to allow inflow of Chinese tourists. Breakdown showed that investment growth slowed substantially (11.0% y/y vs 23.9% y/y) while household spending growth held up relatively well (+7.0% y/y vs 7.2%) thanks to the August distribution of government online spending vouchers.

Australia's home loan fell in September; lending to investors held up:

- Home loan approvals in Australia fell 1.4% m/m in September (Aug: -4.3%) as the decline in owner-occupier loans (-2.7% vs 6.6%) masked the continuous increase in investor lending (+1.4% vs +1.5%). Lending for investment purposes had now risen for the 11th consecutive month since last November, spurred by the ultra-low borrowing costs in Australia. The imposition of multiple regional lockdowns appeared to have little effect on investors. On the other hand, owner occupier loans were down by four straight months as the lockdowns and stricter restrictions kept potential buyers away. The Australian Prudential Regulation Authority (APRA) has increased the minimum interest rate buffer for banks to use when processing applications, considered a small step to tighten policy.

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
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
03/11	NZ Pvt Wages Inc Overtime QoQ (3Q)	0.9%
	NZ Employment Change QoQ (3Q)	1.1%
	NZ Unemployment Rate (3Q)	4.0%
	SG Markit Singapore PMI (Oct)	53.8
	HK Markit Hong Kong PMI (Oct)	51.7
	JP Jibun Bank Japan PMI Services (Oct F)	50.7
	CN Caixin China PMI Services (Oct)	53.4
	UK Nationwide House Px NSA YoY (Oct)	10.0%
	MA BNM Overnight Policy Rate (03 Nov)	1.75%
	EZ Markit Eurozone Services PMI (Oct F)	54.7
	UK Markit/CIPS UK Services PMI (Oct F)	58.0
	EZ Unemployment Rate (Sep)	7.5%
	US MBA Mortgage Applications (29 Oct)	0.3%
	US ADP Employment Change (Oct)	568k
	US ISM Services Index (Oct)	61.9
	US Factory Orders (Sep)	1.2%
	US Markit US Services PMI (Oct F)	58.2

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

DISCLAIMER

This report is for information purposes only and does not take into account the investment objectives, financial situation or particular needs of any particular recipient. The information contained herein does not constitute the provision of investment advice and is not intended as an offer or solicitation with respect to the purchase or sale of any of the financial instruments mentioned in this report and will not form the basis or a part of any contract or commitment whatsoever.

The information contained in this publication is derived from data obtained from sources believed by Hong Leong Bank Berhad ("HLBB") to be reliable and in good faith, but no warranties or guarantees, representations are made by HLBB with regard to the accuracy, completeness or suitability of the data. Any opinions expressed reflect the current judgment of the authors of the report and do not necessarily represent the opinion of HLBB or any of the companies within the Hong Leong Bank Group ("HLB Group"). The opinions reflected herein may change without notice and the opinions do not necessarily correspond to the opinions of HLBB. HLBB does not have an obligation to amend, modify or update this report or to otherwise notify a reader or recipient thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

HLB Group, their directors, employees and representatives do not have any responsibility or liability to any person or recipient (whether by reason of negligence, negligent misstatement or otherwise) arising from any statement, opinion or information, expressed or implied, arising out of, contained in or derived from or omission from the reports or matter.

Potential and actual conflict of interest may arise from the activities of HLB Group. HLB Group constitute a diversified financial services group. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, hedging transactions and other activities for their own account or the account of others. In the ordinary course of their business, HLB Group may effect transactions for their own account or for the account of their customers and hold long or short positions in the financial instruments. HLB Group, in connection with its business activities, may possess or acquire material information about the financial instruments. Such activities and information may involve or have an effect on the financial instruments. HLB Group have no obligation to disclose such information about the financial instruments or their activities.

The past performance of financial instruments is not indicative of future results. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Any projections or forecasts mentioned in this report may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information. No assurance can be given that any opinion described herein would yield favorable investment results. Recipients who are not market professional or institutional investor customer of HLBB should seek the advice of their independent financial advisor prior to taking any investment decision based on the recommendations in this report.

HLBB may provide hyperlinks to websites of entities mentioned in this report, however the inclusion of a link does not imply that HLBB endorses, recommends or approves any material on the linked page or accessible from it. Such linked websites are accessed entirely at your own risk. HLBB does not accept responsibility whatsoever for any such material, nor for consequences of its use.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. This report is for the use of the addressees only and may not be redistributed, reproduced or passed on to any other person or published, in part or in whole, for any purpose, without the prior, written consent of HLBB. The manner of distributing this report may be restricted by law or regulation in certain countries. Persons into whose possession this report may come are required to inform themselves about and to observe such restrictions. By accepting this report, a recipient hereof agrees to be bound by the foregoing limitations.