3 September 2021

Global Markets Research

Daily Market Highlights

03-Sep: Jobless claims fell to pandemic low

S&P 500 and NASDAQ reached record highs

Oil prices jumped over 2%

USD weakened further ahead of NFP

- US equities extended gains into the Thursday session as the positive jobless claims data boosted sentiment and fuelled buying activity, leaving the S&P 500 (+0.3%) and NASDAQ (+0.1%) at their all-time highs. The Dow Jones outperformed (+0.4%) and is now less than 200pts shy of its record high level.

- Energy shares jumped as oil prices rebounded by over 2.0% following the OPEC+'s swift conclusion of its recent meeting that it would stick to the original plan to hike oil production. Brent crude snapped a two-day losing streak to close higher at $73.03/barrel while the US WTI settled at $69.99/barrel.

- Treasuries advanced pushing yields lower despite the better-than-expected jobless claims data. The ADP report yesterday showed that the US private sector added only 354k jobs in August, prompting some worries that the official August nonfarm payroll numbers may disappoint tonight. The yield on the benchmark 10Y UST edged lower by 1 basis point to 1.28%.

- The greenback weakened for the fifth consecutive session, where the dollar index was seen shedding another 0.2% to 92.24. All G10 currencies strengthened against USD, with commodity currencies leading the gains amid the surge in oil prices. Gold futures ticked modestly lower (-0.2%) to $1809.4/oz.

- USD/MYR broke a seven-day losing streak, closing the session higher at 4.1585 (+0.1%). The latest moves are 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.

US initial jobless claims fell to 340k last week:

- Initial jobless claims fell to another pandemic-era low last week, coming in at 340k (prior: 354k) and slightly better than the consensus estimate of 345k. The falling first-time claimants for unemployment benefits means that fewer people were being laid off compared to those being hired, thus a positive sign for labour market recovery.
- Factory orders in the US grew 0.4% m/m in July (Jun: +1.5%), better than the forecasted gain of 0.3%. The declines in transportation orders and computers & electronics weighed on overall factory order growth, but the fact that the headline index had managed to sustain a long streak of positive readings since the Mar-April 2020 shutdown last year indicates the resilience of the manufacturing sector.
- A separate report showed that the US trade deficit narrowed by 4.3% m/m to $70.1b in July (Jun: -$73.2b), driven by stronger export growth (+1.3% m/m) and lower imports (-0.2% m/m). Purchases of consumer goods such as toys, games and cell phones from overseas went down by $2.1b in July, alongside those of industrial supplies and materials which dropped $1.7b. The pandemic resurgence in the US might have curbed consumer demand.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	35,443.82	0.37
S&P 500	4,536.95	0.28
NASDAQ	15,331.18	0.14
Stoxx 600	474.60	0.31
FTSE 100	7,163.90	0.20
Nikkei 225	28,543.51	0.33
Hang Seng	26,090.43	0.24
Straits Times	3,088.84	0.03
KLCI 30	1,582.19	-0.30
FX		
Dollar Index	92.23	-0.24
EUR/USD	1.1875	0.30
GBP/USD	1.3833	0.46
USD/JPY	109.94	-0.06
AUD/USD	0.7400	0.46
USD/CNH	6.4493	-0.04
USD/MYR	4.1585	0.10
USD/SGD	1.3424	-0.16
Commodities		
WTI ($/bbl)	69.99	2.04
Brent ($/bbl)	73.03	2.01
Gold ($/oz)	1,809.40	-0.24

Source: Bloomberg, HLBB Global Markets Research

Australia's trade surplus at record high:

- International trades were robust in Australia in July. The surge in both exports and imports led the trade surplus to widen to a fresh record of AUD 12.1b (Jun: AUD11.1b). Exports rose 4.8% m/m (Jun: +4.1%), driven by the rise in commodity exports. Iron ore shipments retreated slightly from the previous month's record levels while other key commodities such as natural gas posted very strong gains. The 3.3% m/m increase in imports in July (Jun: +1.0%), its third consecutive monthly growth added to evidence of a relatively firm demand despite recent lockdowns in different regions.
- In a separate note, home loan approvals rose by a mere 0.2% m/m in July (Jun: -1.6%) but the breakdown showed a continuous gain in loans extended to investors which was partially offset by the drop in owner-occupier loans. Applications from first-time home buyers sustained a second month of nearly 8.0% decline. This may prompt further questions of whether Australian authorities need to step in to curb investor lending.

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
03/09	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
06/09	EZ Sentix Investor Confidence (Sep)	22.2

Source: Bloomberg

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