3 November 2021

Global Markets Research

Daily Market Highlights

03-Nov: Wall Street stocks at record levels

Global short-term yields tumbled; USD climbed ahead of FOMC

AUD tanked as RBA abandoned yield curve control, gave dovish guidance

BNM likely to maintain neutral rhetoric but turned more upbeat on growth assessment

- Wall Street stocks pressed ahead in its third record-setting session overnight with the Dow Jones Industrial Average crossing the 36,000-mark for the first time in history. Investors continued to cheer the positive third quarter corporate earnings as US firms appeared resilient in the face of global supply chain bottlenecks and surging inflation. The Dow and S&P 500 both picked up 0.4% while NASDAQ rose 0.3%; all three indexes closed at all-time highs for the third consecutive sessions.

- US treasury yields slipped lower on Tuesday amid a decline in global short-to-medium term yields. Markets are anticipating the two-day Federal Reserve's meeting that concludes on 3 November as the central bank is expected to taper its $120b per month asset purchase program.

- The dollar strengthened against nearly all G10 currencies (except the JPY) after a recent pause. The AUD collapsed on RBA's policy decision after it removed its yield target but offered dovish rate guidance. The dollar index rose 0.2% to 94.09.

- USD/MYR traded on a muted tone on Tuesday, finishing the session little changed at 4.1490. We expect the pair to remain neutral today ahead of today's BNM policy decision. The weekly range of 4.13-4.17 is supported by expectations of a sustained recovery story of the Malaysian economy that will likely result in a slight shift in the neutral BNM rhetoric. We expect BNM to turn less downbeat on its growth assessment following recent tell-tale signs of better than expected rebound in economic activities.

- Gold prices were pressured by the rebound in USD. Futures slipped 0.4% to $1789.4/oz. Crude oil prices traded on a mixed note ahead of the OPEC+ meeting this week. Brent crude steadied at $84.72/barrel, virtually unchanged from the prior session, while WTI settled 0.2% lower at $83.91/barrel.

Australia's RBA abandoned yield curve control, dampened rate hike expectations:

- The RBA maintained its cash rate at 0.1% but discontinued the three-year yield curve control measure as expected. The pace of government bond purchases remained unchanged at $4b a week until at least mid-February 2022.
- This came following a bond market rout last week which saw yields shot up sharply across the board; speculations grew thereafter that the RBA's decision to not defend its yield target is a firm sign that it would remove this policy from its framework.
- The RBA said the move reflects the improvement in the economy and the earlier-than-expected progress towards the inflation target. "Given that other market interest rates have moved in response to the increased likelihood of higher inflation and lower unemployment, the effectiveness of the yield target in holding down the general structure of interest rates in Australia has diminished."
- The central bank now expects the economy to bounce back relatively quickly. It expects 2021's GDP growth at 3.0%, 5.5% and 2.5% respectively over the next two

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	36,052.63	0.39
S&P 500	4,630.65	0.37
NASDAQ	15,649.60	0.34
Stoxx 600	479.53	0.14
FTSE 100	7,274.81	-0.19
Nikkei 225	29,520.90	-0.43
Hang Seng	25,099.67	-0.22
Straits Times	3,232.37	0.41
KLCI 30	1,537.63	0.44
FX		
Dollar Index	94.09	0.22
EUR/USD	1.1579	-0.23
GBP/USD	1.3612	-0.39
USD/JPY	113.96	-0.04
AUD/USD	0.7429	-1.29
USD/CNH	6.4028	0.13
USD/MYR	4.1490	-0.07
USD/SGD	1.3491	0.04
Commodities		
WTI ($/bbl)	83.91	-0.17
Brent ($/bbl)	84.72	0.01
Gold ($/oz)	1,789.40	-0.36

Source: Bloomberg, HLBB Global Markets Research

years. Unemployment rate is expected to trend lower to 4.25% at end-2022 and 4.0% at end-2023.
- A further, but only gradual, pick-up in underlying inflation is expected. Underlying CPI is projected to be around 2.25% in 2021 and 2022 and 2.5% in 2023. The RBA also signalled that it would not raise rates as soon as many had suspected. It concluded by stating that it "will not increase the cash rate until actual inflation is sustainably within the 2 to 3 per cent target range" as the tightening of the labour market to generate "materially higher" wage growth is likely to take some time.

Eurozone's factory activity eased in October:
- The Eurozone's Markit manufacturing PMI dropped to 8-month low of 58.3 in October (Sep: 58.6) as new orders lost momentum while supplier lead time lengthened drastically. The supply side challenges continued to weigh on the region's manufacturing industry as firms struggled to obtain inputs which was a widely cited problem in the survey.

Hong Kong's retail sales growth supported by online vouchers:
- Hong Kong's retail sales growth eased to 7.3% y/y in September (Aug: +11.9%) following the sharp increase in August when the government distributed its first batch of online vouchers to spur domestic spending. Nonetheless, September's data remained quite decent thanks to the said vouchers, reflecting the double-digit growth in sales of consumer durables (+29.2% y/y) of which electronics sales ramped up by 48.3%. Sales of apparels, jewellery & watches as well as other consumer goods also help up.

Singapore's PMI stayed unchanged:
- Singapore's official Purchasing Manager Index came in at 50.8 in October, unchanged from September's reading, indicating its steady state of expansion. The electronics sector PMI slipped to 51.1 (Sep: 51.2).

New Zealand reports strong job data as labour market tightened:
- New Zealand delivered a set of strong job data this morning, indicating that the labour market has turned even tighter last quarter amid the difficulties to locate workers. The travel restrictions had continued to disrupt the supply of international workers to the domestic economy.
- The unemployment rate fell to a record low of 3.4% in the third quarter of 2021, down from 4.0% in the second quarter and lower than the consensus forecast of 3.9%. This reflects the higher-than-expected job growth in the period as employment picked up 2.0% q/q (2Q: +1.1%). Economists had projected jobs to rise a modest 0.4% q/q. Participation rate also jumped to 71.2%, from 70.5% prior as the labour force expanded. Wage data however fell short of expectations and softened from the previous quarter but remained strong in general- the private wage including overtime pay rose 0.7% q/q (2Q: +0.9%) while the base pay (excluding bonus) also rose 0.7% q/q (2Q: +0.9%).

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
03/11	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
04/11	US FOMC Rate Decision (03 Nov)	0.0%
	AU Exports MoM (Sep)	4%
	UK Bank of England Bank Rate (04 Nov)	0.1%
	US Initial Jobless Claims (30 Oct)	281k
	US Trade Balance (Sep)	-$73.3b

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.