4 August 2021

Global Markets Research
Daily Market Highlights

04-Aug: S&P 500 hit record high

Stocks boosted by solid corporate earnings
Lingering growth concerns led to flat yields and mixed USD
Traders raised bets on a RBNZ rate hike as early as this month

- US stocks rallied on Tuesday as investors focused on positive corporate earnings, shrugging off recent concerns over the Delta variant in the US. The S&P 500 surged 0.8% to breach a new record high, supported by a broad-based increase in nearly all sectors. The Dow also added 0.8% while NASDAQ underperformed slightly with a relatively modest gain of 0.6%.

- Stocks went up broadly in Europe but registered losses in Japan and Hong Kong. In China, there were increasing speculations that the Chinese government may target the online gaming industry next after a state media branded online games "opium". Tencent said it would curb youngsters' time on its popular video games, leading its share price to tumble as much as 10% on Tuesday, before paring losses to close the day 6.1% lower.

- US treasury yields were little changed across the curve after falling in the past session; concerns over economic slowdown remained in the markets. The 10Y UST last traded at 1.17% on Tuesday. The dollar continued to record mixed performances against G10 currencies. The dollar index closed the session on a flat note at 92.08. NZD led the gains (+0.7%) after the RBNZ said that it would tighten loan limits as house prices climbed further amid the ongoing housing boom.

- USD/MYR closed 0.1% lower at 4.2200 on Tuesday. We continue to expect some range trading at 4.21-4.25 levels as investors monitor the local political and pandemic development against a backdrop of mixed USD sentiment. There could however be some initial knee-jerk reaction following the latest development that some UMNO MPs had withdrawn support for the Prime Minister. We see 4.25 as a major resistance and a break will lead the pair towards 4.28. The pair is supported at 4.20.

- Gold prices were down on Tuesday with futures closing 0.4% lower at $1810.1/oz. Crude oil prices were weighed further by lingering growth concern as the Delta variant spreads. Brent crude shed another 0.7% to $72.41/barrel and WTI fell nearly 1.0% to 70.56/barrel.

RBA maintained tapering plan & policy stance:

- The RBA said it would stick to the original plan of tapering asset purchases after the current AUD100.0b program expires in September amid earlier predictions that it would make a U-turn on the said decision announced in early July. It said that it would maintain a flexible approach to the purchase rate by conducting reviews based on Australia's economic conditions and health situation. The weekly bond purchase, now running at AUD5.0b, will be reduced to AUD4.0b in early September at least until mid-November. The cash rate was left unchanged at 0.1% as expected. It also retained the April 2024 bond as the target bond for its 3Y yield target of 0.1%.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	35,116.40	0.80
S&P 500	4,423.15	0.82
NASDAQ	14,761.29	0.55
Stoxx 600	465.38	0.20
FTSE 100	7,105.72	0.34
Nikkei 225	27,641.83	-0.50
Hang Seng	26,194.82	-0.16
Straits Times	3,149.25	-0.38
KLCI 30	1,500.26	0.49
FX		
Dollar Index	92.08	0.04
EUR/USD	1.1864	-0.05
GBP/USD	1.3916	0.24
USD/JPY	109.04	-0.25
AUD/USD	0.7396	0.48
USD/CNH	6.4666	0.02
USD/MYR	4.2200	-0.11
USD/SGD	1.3513	-0.13
Commodities		
WTI ($/bbl)	70.56	-0.98
Brent ($/bbl)	72.41	-0.66
Gold ($/oz)	1,810.10	-0.44

** Change in bps instead of %,*
Source: Bloomberg, HL Bank

Factory orders beat expectations in the US:

- US factory orders rose 1.5% m/m in June, more than the expected gain of 1.0%. The upbeat reading was accompanied by a sharp upward revision to May's orders to +2.3% m/m, pointing to solid demand in the manufacturing sector. Durable goods orders, a subcategory of the index rose 0.9% m/m (May: +3.2%), while core capital orders went up by 0.7% m/m (May: +0.6%), its fourth consecutive monthly increase that indicates robust business investment.

Australia's home loans fell in June as lockdown was imposed:

- Australia's home loans fell 1.6% m/m in June (May: +4.9%), breaking a seven-month gaining streak. The reading missed the consensus forecast for a 2.0% increase. Owner-occupier loans were down in June (-2.5% m/m vs +1.9% m/m prior) as parts of Australia went into lockdown to curb the Covid-19 Delta Variant but home loans extended to investors still managed to post a small increase (+0.7% m/m vs +13.3% prior). Australia is currently experiencing a housing boom as record low interest rates offer a favourable financing environment to first-time buyers as well as investors. The RBA had said that it would continue monitoring the housing market development and ensure that lending standards are maintained.

New Zealand's upbeat job report lifted kiwi dollar and rate hike expectations:

- New Zealand's unemployment rate slipped to 4% in the second quarter (1Q: 4.6%), better than the expected decline to 4.4%. This reflects the 1% q/q gain (1Q: +0.6%) in employment as the economy recovered further amid successful containment of the coronavirus. The numbers of infections in New Zealand were low throughout the April-June quarter, allowing businesses to operate as usual, thus boosting hiring. Compared to the same quarter last year, employment was up by 1.7% y/y (1Q: +0.3%). The labour force also expanded slightly as the participation rate rose to 70.5% (1Q: 70.4%). Wages growth accelerated as well, with the headline private wages index clocking a 0.9% q/q gain (1Q: +0.4%). The kiwi dollar strengthened further on the upbeat job report as traders raised bets on a RBNZ rate hike (+25bps) as early as the next meeting on 18 August.

House View and Forecasts

FX	This Week	3Q-21	4Q-21	1Q-22	2Q-22
DXY	91.00-93.00	92.00	91.50	90.00	89.00
EUR/USD	1.17-1.19	1.18	1.19	1.21	1.22
GBP/USD	1.38-1.41	1.40	1.41	1.43	1.45
AUD/USD	0.73-0.75	0.74	0.74	0.76	0.77
USD/JPY	108.55-110.52	109.00	108.00	107.00	105.00
USD/MYR	4.21-4.25	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	1.50	1.50	1.50	1.50
Fed	0.25-0.50	0.25-0.50	0.25-0.50	0.25-0.50	0.25-0.50

Source: HLBB

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Date	Events	Prior
04/08	SG Markit Singapore PMI (Jul)	50.1
	HK Markit Hong Kong PMI (Jul)	51.4
	JP Jibun Bank Japan PMI Services (Jul F)	46.4
	AU Retail Sales MoM (Jun F)	-1.8%
	CN Caixin China PMI Services (Jul)	50.3
	EZ Markit Eurozone Services PMI (Jul F)	60.4
	UK Markit/CIPS UK Services PMI (Jul F)	57.8
	EZ Retail Sales MoM (Jun)	4.6%
	US MBA Mortgage Applications (30 Jul)	5.7%
	US ADP Employment Change (Jul)	692k
	US Markit US Services PMI (Jul F)	59.8
	US ISM Services Index (Jul)	60.1
05/08	AU Exports MoM (Jun)	6%
	UK Bank of England Bank Rate (05 Aug)	0.1%
	US Trade Balance (Jun)	-$71.2b
	US Initial Jobless Claims (31 Jul)	400k

Source: Bloomberg

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