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Global Markets Research

Daily Market Highlights

06-Aug: S&P 500 & NASDAQ at all-time highs

US stocks boosted by positive US data & corporate earnings

Renewed risk sentiment weighed on treasuries & gold

Bank of England left monetary policy unchanged

- US stocks rallied on Thursday as solid corporate earnings and positive economic data sent the S&P 500 and NASDAQ to record high levels. The renewed risk appetites in turn dragged down safe haven assets, weighing on treasuries and gold prices.
- The S&P 500 saw a 0.6% rebound, supported by the robust gains in nearly all its sub-sectors; shares of energy, financials and utilities companies surged over 1%. NASDAQ advanced 0.8% as tech shares rose. The Dow Jones climbed 0.8%, less than 100pts away from its all-time high level.
- Yields picked up 1.8 to 4.8bps across the curve even though initial jobless claims fell last week. The yield on 10Y UST ticked up 4.1bps to 1.22%. The dollar recorded mixed performances, leaving the DXY little changed (-0.03%) at 92.24. Commodity currencies strengthened alongside the sterling after the BOE maintained policy and signalled some modest tightening only if it meets economic targets. JPY weakened the most while EUR and CHF were flat. USD/MYR closed marginally lower at 4.2165 (-0.09%) on Thursday. Pair is expected to trade within 4.21-4.23 ahead of the weekend as investors monitor the local pandemic situation ahead of tonight's US job data and next week's Malaysia GDP.
- Gold futures edged lower on Thursday to \$1805.1/oz. Crude oil prices rebounded around 1.3% from a three-day slide as Middle East tensions intensified. Brent crude picked up to \$71.29/barrel while WTI to \$69.09/barrel.
- The US government releases its July nonfarm payroll data today and a survey by Bloomberg showed a consensus estimate of 858k job gains last month. Stock futures indicated higher openings in Hong Kong and Japan as equities are set to track the rallies in US markets overnight.

BOE left policy unchanged and warned of higher transitory inflation:

- The Bank of England left its policy unchanged as expected and warned of a period of high inflation in the UK, as it predicted inflation to hit 4% in the fourth quarter this year, driven by higher energy and other goods prices. Nonetheless it said that inflation is expected to be transitory as CPI will eventually fall back to its 2% target in the medium term.
- The MPC said that its current guidance specifies that it does not intend to tighten policy at least until there is clear evidence that significant progress has been made towards achieving its targets. The existing stance of policy remained appropriate.
- The MPC said it would focus on the medium prospects for inflation, rather than temporary factors such as capacity pressures which had driven up prices. It will monitor the labour market closely. It concluded that some "modest tightening of monetary policy" is likely to be necessary if the economy evolved broadly with its central projection in the accompanying August monetary policy report.
- In terms of economic assessment, BOE expects the UK GDP to have grown 5% in 2Q, leaving it 4% below the pre-pandemic level, followed by a 2.9% growth in 3Q. The economy is expected to return to its pre-pandemic level in 4Q. It projects GDP for the full year of 2021 to be at 7.25%.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	35,064.25	0.78
S&P 500	4,429.10	0.60
NASDAQ	14,895.12	0.78
Stoxx 600	469.96	0.37
FTSE 100	7,120.43	-0.05
Nikkei 225	27,728.12	0.52
Hang Seng	26,204.69	-0.84
Straits Times	3,175.10	-0.25
KLCI 30	1,495.78	0.30
FX		
Dollar Index	92.24	-0.03
EUR/USD	1.1834	-0.03
GBP/USD	1.3931	0.30
USD/JPY	109.77	0.26
AUD/USD	0.7405	0.35
USD/CNH	6.4620	-0.02
USD/MYR	4.2165	-0.09
USD/SGD	1.3510	0.00
Commodities		
WTI (\$/bbl)	69.09	1.38
Brent (\$/bbl)	71.29	1.29
Gold (\$/oz)	1,805.10	-0.30

Source: Bloomberg, HLBB Global Markets Research

- BOE governor Andrew Bailey said that the Bank rate (unchanged at 0.1%) is the main tool for altering monetary conditions, adding that economic recovery in the UK will be bumpy.

US initial jobless claims at 385k last week; US June trade deficit at record high:

- The number of first-time jobless claims were lower at 385k last week, compared to the slightly revised 399k in the week before, offering some comfort to markets following the hugely disappointing ADP private payrolls data on Wednesday. Initial jobless claims continued to decline as hiring activity remained robust in the US, although the struggle to fill vacancies is real.
- The US recorded its largest monthly trade deficit on record in June, at \$75.7b (May: - \$71.0b), as the robust demand for overseas goods drove up imports to an all-time high of \$283.4b (+2.1% m/m). The higher prices of petroleum products had also contributed to the overall elevated inbound shipment value. Export growth was comparatively weaker at 0.6% m/m, underperforming imports for the second consecutive months, as the supply chain constraints in the manufacturing sector weighed on overseas shipments.

Japan's household spending remained weak; cash earnings boosted by bonus payment:

- Japan's household spending declined 3.2% m/m in June, as the State of Emergency measures to contain the Covid-19 outbreak remained in place for most of June, weighing on consumption. On a year-on-year basis, spending was down by 5.1% (May: +11.6%), partly because of the unfavourable base from last year when spending had surged following the relaxation of Covid restrictions.
- A separate report showed that Japan's labour cash earnings surged over 61% m/m in June (May: -1.7%), driven largely by the summer bonus pay-out in that month. Base pay and overtime earnings also posted month-on-month increases, as the latter was boosted by the lifting of the State of Emergency on 20 June. On a year-on-year basis, the headline earnings were marginally lower (-0.1% y/y vs +1.9% y/y prior).

Australia trade surplus at record high as iron ores shipments jumped:

- Australia's June trade surplus roughly matched expectations, coming in at a new record of AUD10.5b, higher than the previous month's surplus of AUD9.3b. Imports registered a softer month-on-month growth of 1% (May: +3%) as demand for overseas goods were hampered by the regional lockdowns in Australia to contain the Delta variant.
- Exports rose steadily by 4% m/m in June (May: +4%), supported by the steady demand from China, particularly for iron ores. Exports to China were up by 8.2 m/m while shipments to other key trading partners picked up as well. Total exports of iron ores surged 6.2% m/m, setting another fresh record.

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 Global Markets Research

Up Next

Date	Events	Prior
06/08	MA Foreign Reserves (30 Jul)	\$111.1b
	US Change in Nonfarm Payrolls (Jul)	850k
	US Unemployment Rate (Jul)	5.9%
	US Average Hourly Earnings YoY (Jul)	3.6%
09/08	CN CPI YoY (Jul)	1.1%
	CN PPI YoY (Jul)	8.8%
	MA Industrial Production YoY (Jun)	26.0%
	EZ Sentix Investor Confidence (Aug)	29.8
	US JOLTS Job Openings (Jun)	9209k

Source: Bloomberg

Hong Leong Bank Berhad

Fixed Income & Economic Research,
Global Markets
Level 8, Hong Leong Tower
6, Jalan Damansara
Bukit Damansara
50490 Kuala Lumpur
Tel: 603-2081 1221
Fax: 603-2081 8936

HLMarkets@hlbb.hongleong.com.my

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