6 September 2021

Global Markets Research

Daily Market Highlights

06-Sep: Dramatic slowdown in US job growth

USD weakened after NFP payrolls rose only 235k

Services PMI showed softer activity in major economies

Markets eye central bank meetings this week

- US stocks ended on a mixed note on Friday ahead of the long weekend as investors digested the discouraging job report which showed an unimpressive 235k employment gain. The Dow Jones fell 0.2% whereas the S&P 500 drifted a tad lower (-0.03%). NASDAQ managed to pick up 0.2% to hit a record high. On a weekly basis, the Dow posted modest losses (-0.2%) while the S&P 500 (+0.6%) and NASDAQ (+1.6%) closed out the week with positive changes alongside major European and Asian major benchmarks.

- Treasury yields rose on Friday and the yield curve steepened as the same report showed surging wage growth and thus higher inflation outlook. The 10Y UST yield advanced by nearly 4bps to 1.32%. The dollar weakened for the sixth consecutive session. The weaker job gains in August may not put the Fed in such a rush to taper its asset purchase program. DXY fell 0.2% to 92.04 and suffered its second successive weekly loss (-0.7%). Nearly all G10 currencies strengthened against the greenback with AUD and NZD leading the gains on Friday.

- USD/MYR slipped 0.3% to 4.1460 amid the persistent USD weakness, leading the pair to endure its second weekly decline (-1.1%). We are neutral-to-slightly bearish on the pair expecting a range of 4.13-4.17 in the week ahead, expecting some consolidation after recent declines, as well as cautious trading ahead of BNM's MPC meeting on 9 September, where OPR is expected to stay unchanged.

- In the commodity markets, gold prices rallied on the back of a weaker dollar; futures rose 1.2% to $1831.5/oz. Friday's closing put the bullion at its fourth consecutive weekly win (+0.8%). Crude oil prices retreated from the recent rallies. Brent crude lost 0.6% to $72.61/barrel and WTI shed 1.0% to $69.29/barrel. For the week, Brent lost 0.1% and WTI added 0.8%.

- Stock futures rose sharply in Japan after PM Suga last week said that he would not seek re-election for party leadership, signalling the end of his short premiership. Data flow turns lighter this week and focus shifts to a number of central bank meetings (RBA, ECB, BOC and BNM).

US economy employed 235k workers in August:

- The US economy added only 235k jobs in August (Jul: +1.05mil) sharply missing the consensus forecast of 733k gains. The numbers from the previous two months were revised higher to show a net revision of 134k which offered little comforts to the markets. Hiring came from the manufacturing sector and the services sector whereas the construction sector laid off workers. Within the services sector, the retail trade sector also reported job losses and leisure & hospitality did not add employees, suggesting waning consumer demand amid the virus resurgence.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	35,369.09	-0.21
S&P 500	4,535.43	-0.03
NASDAQ	15,363.52	0.21
Stoxx 600	471.93	-0.56
FTSE 100	7,138.35	-0.36
Nikkei 225	29,128.11	2.05
Hang Seng	25,901.99	-0.72
Straits Times	3,083.85	-0.16
KLCI 30	1,589.19	0.44
FX		
Dollar Index	92.04	-0.21
EUR/USD	1.1880	0.04
GBP/USD	1.3871	0.27
USD/JPY	109.71	-0.21
AUD/USD	0.7460	0.81
USD/CNH	6.4386	-0.17
USD/MYR	4.1460	-0.30
USD/SGD	1.3412	-0.09
Commodities		
WTI ($/bbl)	69.29	-1.00
Brent ($/bbl)	72.61	-0.58
Gold ($/oz)	1,831.50	1.22

Source: Bloomberg, HLBB Global Markets Research

- The average hourly earnings growth accelerated to 0.6% m/m in August (Jul: +0.4%), driving the annual wage growth rate to 4.3% y/y (Jul: +4.1%). Firms continued to offer higher pays to retain and recruit workers as they faced labour shortages issues.
- The household survey painted a better picture as the unemployment rate fell to 5.2% in August (Jul: 5.4%) and the labour force participation was unchanged at 61.7%).

Services activity eased across major economies:

- The US ISM Services PMI fell to 61.7 in August (Jul: 64.1), as the services sector continued to grow albeit at a softer rate. The corresponding Markit Services PMI also retreated to 55.1 in August (Jul: 59.9) to paint a similar picture. Supply chain constraints and labour shortages were reported to be the main factors limiting growth.
- Across the Atlantic, the services sector continued to record robust expansion in the Eurozone although momentum waned slightly in August; PMI came in at 59.0, a tad lower compared to 59.8 in July. Meanwhile the UK services PMI slipped to 55.0 in August (Jul: 59.6) as the reopening driven recovery eased.
- The China Caixin Services PMI confirmed the weakening of the country's services sector as the index plunged to the contractionary level of 46.7 in August (Jul: 54.9), in line with the official NBS reading which also indicates a contraction. The rising Covid-19 cases on the local front as well as abroad had impacted operations and demand.
- Neighbouring Japan also saw its services sector activity contracted sharply as PMI dropped to 42.9 in August (Jul: 47.4). Extended State of Emergency rules and a depressed demand were the main culprits.
- Singapore Whole Economy PMI fell to 52.1 (Jul: 56.7) to reflect an easing growth in private sector expansion. The same gauge for Hong Kong rose to 53.3 (Jul: 51.3) to mark an acceleration amid stabilisation of Covid-19 conditions.

Retail sales fell in Eurozone:

- The euro area's retail sales unexpectedly fell 2.3% m/m in July, following two months of growth. The new Covid outbreak in July might have partially contributed to the weaker sales as well. Analysts had been forecasting retail sales to be unchanged from June, expecting consumer demand to have waned months into the reopening. Sales in June were revised higher to show a 1.8% m/m growth, versus 1.5% initially. Sales were down across all key categories of goods with online sales falling by the most (-7.5%). Compared to the same month last year, retail sales were 3.1% y/y higher (Jun: +5.4%).

Singapore's retail sales rose for second month:

- Singapore's retail sales rose for the second month albeit at a slower rate (+0.8% m/m vs +1.9% prior). The sustained growth was supported by consumer spending on department store items, cosmetics, apparels as well as watches and jewelleries as the government further relaxed Covid-19 restrictions. Food & alcohol and motor vehicle sales were down. The y/y rate eased substantially to 0.2% (Jun: +25.8%) in June as the corresponding base turned less negative. Excluding motor vehicles, sales rose 2% y/y (Jun: +19.2).

House View and Forecasts

FX	This Week	3Q-21	4Q-21	1Q-22	2Q-22
DXY	91-93	92.00	91.50	90.00	89.00
EUR/USD	1.17-1.20	1.18	1.19	1.21	1.22
GBP/USD	1.37-1.40	1.40	1.41	1.43	1.45
AUD/USD	0.73-0.75	0.74	0.74	0.76	0.77
USD/JPY	109-111	109.00	108.00	107.00	105.00
USD/MYR	4.13-4.17	4.23	4.20	4.20	4.15
USD/SGD	1.33-1.35	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
06/09	EZ Sentix Investor Confidence (Sep)	22.2
07/09	JP Labor Cash Earnings YoY (Jul)	0.10%
	JP Household Spending YoY (Jul)	-5.10%
	AU RBA Cash Rate Target (07 Sep)	0.10%
	MA Foreign Reserves (30 Aug)	$111.3b
	EZ GDP SA QoQ (2Q F)	2.00%
	EZ ZEW Survey Expectations (Sep)	42.7
	CN Exports YoY (Aug)	19.30%
	CN Imports YoY (Aug)	28.10%

Source: Bloomberg

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