Global Markets Research

Daily Market Highlights

07-Sep: Global stocks gained on easing taper fear

European and Asian stocks benchmarks rallied

Saudi Arabia cut crude oil selling prices for Asian buyers to retain market share

RBA's decision in focus today

- Global equities closed higher on Monday amid muted trading as the American stock and bond markets were closed for Labour Day. European stocks rallied on Monday after Friday's weaker US job data suggest that the Federal Reserve's pandemic stimulus may stay longer than previously expected, thus putting on less pressure for the ECB to taper its similar program as well. The pan-European STOXX Europe 600 rose 0.7%; key equity benchmarks in Germany, France and the UK all finished higher.

- In the Asia Pacific, Japanese shares extended last week's rally to Monday following Prime Minister Suga's announcement that he would not run for party leadership; the Nikkei 225 jumped 1.8%. Hong Kong and Chinese stocks rose as well. US stock futures pointed higher this morning.

- Eurozone sovereign bond yields were steady ahead of the ECB's meeting on Thursday. Germany's benchmark 10Y bund yield was little changed at -0.37%. The dollar made some recovery from last week's selloff, strengthening against most G10 currencies. Spot gold was down modestly (-0.2%) to $1822.79/oz.

- USD/MYR held steadily at 4.1475 on Monday, little changed from Friday's session. 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.

- Brent crude shed 0.5% to 72.22/barrel after Saudi Arabia cut its selling crude prices for Asian buyers, days after OPEC+ decided to stick to the plan to gradually raise oil output. The Saudi move was intended to retain market shares as oil outlook dimmed in the face of pandemic resurgence.

- Focus is on a number of central bank meetings as data flow is lighter this week. Markets are predicting the RBA to delay its original plan to taper bond buying (scheduled for September) to a later date this year as Australia struggles to contain the Delta variant outbreak.

Eurozone's investor confidence weakened in September:

- The Sentix Investor Confidence Index dropped by 2.6pts to 19.6 in September, from 22.2 previously, marking its third consecutive monthly decrease. Investors maintained their assessment over the Eurozone's current condition (the current situation index was unchanged). The expectations gauge however was down by 5pts and was its fourth decline in a row since June. Sentix attributed this to the slowing global economic momentum and said that the peak of the Eurozone's economic recovery has passed.

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	475.19	0.69
FTSE 100	7,187.18	0.68
Nikkei 225	29,659.89	1.83
Hang Seng	26,163.63	1.01
Straits Times	3,101.08	0.56
KLCI 30	1,581.59	-0.48
FX		
Dollar Index	92.04	0.00
EUR/USD	1.1870	-0.08
GBP/USD	1.3837	-0.25
USD/JPY	109.86	0.14
AUD/USD	0.7439	-0.28
USD/CNH	6.4506	0.19
USD/MYR	4.1477	0.04
USD/SGD	1.3426	0.10
Commodities		
WTI ($/bbl)*	69.29	-1.00
Brent ($/bbl)	72.22	-0.54
Gold ($/oz)*	1,831.50	1.22

**Closing price for 03 September 2021*
Source: Bloomberg, HLBB Global Markets Research

Japan’s household spending remained weak in July:

- Japan’s household spending rose 0.7% y/y in July, hugely missing the forecasted gain of 2.4% y/y. This followed a sharp 4.3% y/y decline in the previous month. On a seasonally adjusted month-on-month basis, spending was down by 0.9% m/m, its third successive decline since May, reflecting the impact of the State of Emergency measures on the already weak household demand.
- In a separate report, the labour cash earnings rose more than expected by 1.0% in July (Jun: +0.1%), attributing to a favourable base from last year. July’s earnings were down by 15.8% m/m when compared to June during which firms paid bonuses to employees. Regular pay was virtually unchanged.

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
07/09	CN Exports YoY (Aug)	19.30%
	CN Imports YoY (Aug)	28.10%
	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
08/09	JP GDP SA QoQ (2Q F)	0.30%
	US MBA Mortgage Applications (03 Sep)	-2.40%
	US JOLTS Job Openings (Jul)	10073k

Source: Bloomberg

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