7 October 2021

## Global Markets Research

## Daily Market Highlights

# 07-Oct: US debt ceiling hopes lifted sentiments

### US debt ceiling hopes led stock indices higher in US afternoon trading

### Little changes in UST yields; USD saw extended gains

### ADP added more jobs than expected in September

- Major US stock indices rebounded in afternoon trading, shrugging off morning session's steep losses after Senate Minority Leader Mitch McConnell is reported to be offering Democratic leaders a deal to temporarily raise the government debt ceiling through November, raising the prospect of averting a default. The three major US stock indices managed to end in the green with 0.3-0.5% gains on Wednesday. Earlier, stocks were largely under water in European and Asian trading sessions.

- Treasury yields traded mixed with the curve flattening as front end yields rose and long end yields fell as markets weighed recovery prospects and inflation risks. The 10Y UST yields fell 1bp to 1.52%. The Dollar Index continued to climb higher, but closed off the intraday high of 94.45 at 94.27, up 0.3% d/d. The greenback strengthened against all majors except the small losses against safe haven CHF and JPY.

- USD/MYR extended its slow climb upwards, picking up 0.1% to 4.1835 on Wednesday. However, the pair remains steady within the 4.17-4.18 big figures overall, with an intraday range of 4.1785-4.1875, in line with our neutral outlook for the week. No change to our expected weekly trading range of 4.16-4.20.

- Tracking the market swings, gold bounced off the day's low to end the day marginally higher at $1761.80/oz. Meanwhile, crude oil benchmarks fell amid bigger than expected increase US inventories, (2.3m vs 418k barrels expected). Brent crude settled at $81.08/barrel and WTI at $77.43/barrel, both near their day lows.

**US ADP added more jobs than expected in September:**

- ADP private sector payroll added more than expected jobs of 568k in September, beating consensus estimate for a 430k addition and August's 340k revised gain. The services sector added 466k jobs of which 226k came from the leisure and hospitality sectors as the Covid-19 situation improved during the month. This is certainly a welcoming news reinforcing hopes that an improving labour market will underpin consumption spending, hence recovery going forward.
- MBA mortgage applications continued to fall for the week ended 1-October, by a larger 6.9% w/w compared to prior's 1.1% decline. Both new purchases (-1.7% vs -1.2%) and refinancing (-9.6% vs -0.9%) saw steeper falls as long term interest rates continued to see a steady climb.

**Key Market Metrics**

| | Level | d/d (%) |
|---|---|---|
| **Equities** | | |
| Dow Jones | 34,416.99 | 0.30 |
| S&P 500 | 4,363.55 | 0.41 |
| NASDAQ | 14,501.91 | 0.47 |
| Stoxx 600 | 451.33 | -1.03 |
| FTSE 100 | 6,995.87 | -1.15 |
| Nikkei 225 | 27,528.87 | -1.05 |
| Hang Seng | 23,966.49 | -0.57 |
| Straits Times | 3,083.88 | 0.51 |
| KLCI 30 | 1,559.42 | 1.89 |
| **FX** | | |
| Dollar Index | 94.27 | 0.31 |
| EUR/USD | 1.1556 | -0.36 |
| GBP/USD | 1.3582 | -0.34 |
| USD/JPY | 111.41 | -0.04 |
| AUD/USD | 0.7272 | -0.27 |
| USD/CNH | 6.4540 | 0.07 |
| USD/MYR | 4.1835 | 0.11 |
| USD/SGD | 1.3590 | 0.15 |
| **Commodities** | | |
| WTI ($/bbl) | 77.43 | -1.90 |
| Brent ($/bbl) | 81.08 | -1.79 |
| Gold ($/oz) | 1,761.80 | 0.05 |

*Source: Bloomberg, HLBB Global Markets Research*

### Smaller than expected rebound in Eurozone retail sales:

- Retail sales in the euro region rebounded less than expected by 0.3% m/m in August (Jul: -2.6% m/m revised), as a rebound in online sales was offset by decline in food, drinks and tobacco. On a yearly basis, sales were flat, a sharp moderation from +3.1% in July owing in part to the base effect from reopening last August. Inflationary pressure will likely exert some pressure on consumer spending going forward, hence somewhat dampening the outlook in 4Q in our view.

### Hong Kong PMI weakened in September but still above 50:

- The IHS Markit PMI for Hong Kong slipped to 51.7 in September, down from 53.3 in August. This marked its eighth month registering above-50 reading, reflecting stable Covid-19 situation, although the rate of expansion eased last month. The survey showed that business conditions continued to improve while the effect of government’s online consumption voucher also gave added support to demand. However, Hong Kong is not immune to the supply chain disruption faced by businesses worldwide, thus resulting in higher input cost and potentially affecting margins.

### RBNZ hiked rate to 0.5%:

- The Reserve Bank of New Zealand raised the official cash rate (OCR) by 25bps to 0.5% yesterday as widely expected, marking the start of its policy normalisation process. It appeared optimistic over New Zealand’s higher vaccination rates, foreseeing less virus-related disruption to the economy over the coming years. It said that the current restrictions have not materially changed the medium-term inflation and employment outlook. “A broad range of economic indicators highlight that the New Zealand economy has been performing strongly in aggregate”. It expects headline inflation to surge to above 4% in the near term, driven by higher oil prices, rising transport costs and the impact of supply shortfalls, before pulling back to 2.0% midpoint over the medium term. It concluded by saying that “further removal of monetary policy stimulus is expected over time, with future moves contingent on the medium-term outlook for inflation and employment”.

## House View and Forecasts

| FX | This Week | 4Q-21 | 1Q-22 | 2Q-22 |
|---|---|---|---|---|
| DXY | 93-96 | 91.50 | 90.00 | 89.00 |
| EUR/USD | 1.14-1.17 | 1.19 | 1.21 | 1.22 |
| GBP/USD | 1.33-1.36 | 1.41 | 1.43 | 1.45 |
| AUD/USD | 0.71-0.73 | 0.74 | 0.76 | 0.77 |
| USD/JPY | 110-113 | 108.00 | 107.00 | 105.00 |
| USD/MYR | 4.16-4.20 | 4.20 | 4.20 | 4.15 |
| USD/SGD | 1.35-1.37 | 1.35 | 1.34 | 1.33 |

| Policy Rate % | Current | 4Q-21 | 1Q-22 | 2Q-22 |
|---|---|---|---|---|
| Fed | 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 |
| BOE | 0.10 | 0.10 | 0.10 | 0.10 |
| RBA | 0.10 | 0.10 | 0.10 | 0.10 |
| BOJ | -0.10 | -0.10 | -0.10 | -0.10 |
| BNM | 1.75 | 1.75 | 1.75 | 1.75 |

*Source: HLBB Global Markets Research*

## Up Next

| Date | Events | Prior |
|---|---|---|
| 07/10 | MA Foreign Reserves (30 Sep) | $116.2b |
| | US Initial Jobless Claims (02 Oct) | 362k |
| 08/10 | JP Household Spending YoY (Aug) | 0.7% |
| | JP Labor Cash Earnings YoY (Aug) | 0.6% |
| | CN Caixin China PMI Services (Sep) | 46.7 |
| | US Change in Nonfarm Payrolls (Sep) | 235k |
| | US Unemployment Rate (Sep) | 5.2% |
| | US Average Hourly Earnings YoY (Sep) | 4.3% |

*Source: Bloomberg*

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