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Global Markets Research

Daily Market Highlights

08-Oct: Investors cheered debt limit extension

US lawmakers agree to extend debt limit through early December

Stronger risk appetites weighed on safe havens

US initial jobless claims fell for the first time in four weeks

- US stock benchmarks rose further in Thursday's session after US lawmakers reached a deal on a short-term debt limit extension, temporarily removing the uncertainties over a potential government default through early December. The Dow rose 1.0%, the S&P 500 picked up 0.8% while NASDAQ gained 1.1%. This followed the rally in the European market earlier and broadly higher Asian shares.
- The yield curve bear-steepened as treasury yields continued to climb ahead of today's nonfarm job report. The fall in initial jobless claims and the recent increase in the ADP private payroll offered positive signs of firmer labour market recovery that supports the Fed's policy normalisation move. Overall yields rose by 1.2 to 5.2bps where the yield on 10Y UST picked up 5.2bps to 1.57%.
- The dollar saw mixed performances against the major currencies amid better risk appetites. Perceivably safer currencies weakened while riskier currencies strengthened. The dollar index was down marginally (-0.05%) to 94.22 following two sessions of gains.
- USD/MYR traded little changed (-0.02%) at 4.1825 on Thursday, in line with our neutral outlook. MYR has been holding up relatively well despite recent USD strength, rendering it one of the better performing Asian currencies in the region. Rally in commodity prices, both oil and CPO, is expected to bode well with prospects of the Malaysian economy, and is supportive of the MYR in the near term. We maintain our neutral USD/MYR outlook, and continue to eye a trading range of 4.16-4.20 for the week.
- Gold prices were weighed down modestly amid weaker demand for safe havens. Gold futures fell 0.2% to \$1757.9/oz. Crude oil prices rebounded by over 1.0% on Thursday after Wednesday's pullback after the US Energy Department said it had no plan to tap into the country's Strategic Petroleum Reserve. WTI settled at \$78.30/barrel and Brent crude rose to \$81.95/barrel.

US initial jobless claims fell to 326k last week:

- The number of new filings for jobless benefits fell by 38k to 326k for the week ended 2 October (prior: 364k), snapping a three-week rising streak. The reading is better than consensus forecast of 348k, pointing to fewer layoffs in the US amid the current economic recovery. The continuous claims also slipped further to 2.71mil as at 25 Sep (prior: 2.81mil).

Bonus payment failed to boost Japanese spending:

- Japan's household spending fell 3.0% y/y in August (Jul: +0.7%) following a tiny gain in the previous month, highlighting the public's wariness to spend despite recent bonus pay-out. Labour cash earnings rose 0.7% y/y in the same month (Jul: +0.6%), reflecting steady increase in regular pay (+0.2% y/y for the third consecutive month) and a larger

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	34,754.94	0.98
S&P 500	4,399.76	0.83
NASDAQ	14,654.02	1.05
Stoxx 600	458.57	1.60
FTSE 100	7,078.04	1.17
Nikkei 225	27,678.21	0.54
Hang Seng	24,701.73	3.07
Straits Times	3,101.15	0.56
KLCI 30	1,561.29	0.12
FX		
Dollar Index	94.22	-0.05
EUR/USD	1.1552	-0.03
GBP/USD	1.3619	0.27
USD/JPY	111.63	0.20
AUD/USD	0.7312	0.55
USD/CNH	6.4524	-0.02
USD/MYR	4.1825	-0.02
USD/SGD	1.3586	-0.03
Commodities		
WTI (\$/bbl)	78.30	1.12
Brent (\$/bbl)	81.95	1.07
Gold (\$/oz)	1,757.90	-0.15

Source: Bloomberg, HLBB Global Markets Research

gain in bonus payment (+2.0% y/y vs -0.3% prior). On a m/m basis, total cash earnings were down by 25% due to the much lower bonus payment in August (bonus had been paid in June-July period); the m/m changes tend to be more volatile. BOJ Governor Kuroda had mentioned before that the weak spending was not reflective of poor wage growth but rather of public cautiousness.

Malaysia's foreign reserves at \$115.2b:

- Malaysia's foreign reserves fell to \$115.2b as at 30 Sep, from \$116.2b previously which is sufficient to finance 8.2 months of retained imports and is 1.3 times short-term external debt.

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
08/10	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%
11/10	UK Industrial Production MoM (Aug)	1.2%
	JP Machine Tool Orders YoY (Sep P)	85.2%
	UK Monthly GDP (MoM) (Aug)	0.1%
	UK Index of Services MoM (Aug)	0.0%
	UK Visible Trade Balance GBP/Mn (Aug)	-£12706m

Source: Bloomberg

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