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Global Markets Research

Daily Market Highlights

09-Sep: Beige Book confirmed slowing growth

Stocks pulled back as Fed Beige Book reported softer activity

US job openings surged to record highs in July

BOC maintained rates and QE pace; attentions turned to ECB and BNM

- US stocks slipped on Wednesday as the Federal Reserve's Beige Book affirmed a slowdown in economic growth amid the rampant spread of the Delta variant. The S&P 500 (-0.1%) and Dow Jones (-0.2%) edged lower for the third session in a row while tech-heavy NASDAQ (-0.6%) snapped a four-day winning streak to retreat from its record level. Stocks sold off in Europe ahead of Thursday's ECB meeting, leaving the pan-European index STOXX Europe 600 sharply lower (-1.3%). Asian pacific shares registered mixed performances; Japan's Nikkei 225 (+0.8%) rose for the eighth session.

- US treasury yields fell after the Treasury Department's auction of $38b 10Y notes attracted a solid demand. The yield on 10Y UST was down by 3.6bps to 1.34% on Wednesday. Yields had risen for the past two sessions despite last Friday's weaker headline NFP payrolls as the surging wage growth indicates that the Fed is still on track to taper its bond buying program.

- The dollar extended strength against most G10 currencies as risk sentiment broadly weakened. JPY and NZD were flat. The dollar index rose 0.2% to 92.65. USD/MYR retreated slightly (-0.1%) to close at 4.1510 on Wednesday following a recent gain. The resurgence in the broader USD may continue to support the pair but we continue to expect cautious trading ahead of today's BNM meeting where the OPR is expected to remain unchanged. No change to the weekly expected range of 4.13-4.17.

- Gold prices extended declines amid USD strength; futures fell 0.3% to $1791.2/oz. Oil prices were boosted by supply disruption in the US Gulf of Mexico as most productions were shut down after Hurricane Ida. WTI rallied 1.4% to $69.3/barrel while Brent crude rose 1.3% to $72.6/barrel.

- The Bank of Canada left its benchmark rate unchanged at 0.25% and maintained the bond purchase pace at $2b per week in the wake of recently weak economic data. The move was widely expected. It is still on track to taper its bond buying program in October. Focus shifts to the ECB today as markets look towards a change in the ECB's Pandemic Emergency Purchase Program (PEPP)'s buying pace. On the local front, investors will likely stay side-lined in the wake of BNM's OPR decision due at 3pm.

Fed Beige Book said growth slowed as Delta variant spread:

- The Federal Reserve's Beige Book reported that US economic growth downshifted slightly to a moderate pace in early July through August where the deceleration was largely attributed to a decline in dining out, travel, and tourism activity amid the surge of the Covid-19 Delta variant. In terms of labour market assessment, firms continued to report strong labour demand and extensive labour shortages constraining employment. Most described wage growth as "strong". Inflation stayed at an elevated pace as widespread input shortage led to price pressure.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	35,031.07	-0.20
S&P 500	4,514.07	-0.13
NASDAQ	15,286.64	-0.57
Stoxx 600	467.87	-1.06
FTSE 100	7,095.53	-0.75
Nikkei 225	30,181.21	0.89
Hang Seng	26,320.93	-0.12
Straits Times	3,068.94	-1.27
KLCI 30	1,597.63	0.89
FX		
Dollar Index	92.65	0.15
EUR/USD	1.1816	-0.20
GBP/USD	1.3771	-0.11
USD/JPY	110.25	-0.03
AUD/USD	0.7365	-0.28
USD/CNH	6.4569	-0.07
USD/MYR	4.1510	-0.10
USD/SGD	1.3457	-0.03
Commodities		
WTI ($/bbl)	69.30	1.39
Brent ($/bbl)	72.60	1.27
Gold ($/oz)	1,791.20	-0.28

Source: Bloomberg, HLBB Global Markets Research

US job openings at record high:

- The JOLTS job openings surged to another record high of 10.93mil in July (Jun: 10.19mil), confirming views that labour demand remained strong in the US and the recently weak payrolls data were a result of labour supply shortage. Quit rate which measures the labour turnovers in July remained high at 2.7% (Jun: 2.7%) as more people resigned from their current roles to seek better-paid positions amid the surge in wages. Companies had been offering more attractive incentives to lure workers.

US mortgage applications fell for the second week:

- Mortgage applications in the US fell 1.9% w/w for the week ended 3 Sep (prior: -2.4%) as both refinancing and purchases applications were down. The declines were attributed to relatively elevated rates in recent weeks as mortgage rates stayed above 3% as well as the shortage in housing supply which limited home sales.

UK housing activity cooled in August as stamp duty rates normalised:

- The UK RICS House Price Balance Index fell to 73% in August, from the downwardly revised 77% previously. The survey showed lower sales inquiries as well as continued fall in new instructions and agreed sales. The cooling in housing activity reflects the gradual normalisation of the UK's stamp duty rate. The government had introduced the stamp duty holiday in July 2020 during the onset of the pandemic and the waiver was extended to 30 June this year. Rates went back to normal rates in stages from July to September and will return to pre-waiver rates starting October.

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
09/09	CN CPI YoY (Aug)	1.0%
	CN PPI YoY (Aug)	9.0%
	JP Machine Tool Orders YoY (Aug P)	93.4%
	MA BNM Overnight Policy Rate (09 Sep)	1.75%
	EZ ECB Main Refinancing Rate (09 Sep)	0.00%
	US Initial Jobless Claims (04 Sep)	340k
10/09	MA Industrial Production YoY (Jul)	1.4%
	UK Monthly GDP (MoM) (Jul)	1.0%
	UK Industrial Production MoM (Jul)	-0.7%
	UK Visible Trade Balance GBP/Mn (Jul)	-
	US PPI Final Demand YoY (Aug)	7.8%

Source: Bloomberg

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