10 November 2021

Global Markets Research

Daily Market Highlights

10-Nov: US PPI sustained at record pace

US equities pulled back from record level

Treasury yields slumped; USD traded mixed

Oil prices rallied as White House unlikely to offer immediate relief

- US stocks retreated from record high overnight, amid a pause in the more-than-a-week-long equity rally. S&P 500 fell 0.4%, snapping an impressive eight-day record-setting streak. The Dow Jones shed 0.3% while tech-focus NASDAQ lost 0.6%. Performances were mixed across the S&P 500's eleven sectors with consumer discretionary recording the steepest (over 1%) decline.

- Treasury yields fell on Tuesday as US PPI inflation data met consensus forecasts. The yield on the benchmark 10Y UST was down by 5bps to 1.44%. Market is paying attention to the CPI data next, set for a Wednesday's release.

- The dollar recorded mixed performances against its G10 counterparts; the JPY advanced for the fourth consecutive session, alongside CHF. The recent recovery in yen is attributed to traders' adjustment in global monetary policy outlook after the BOE and Fed's rate decisions last week. The AUD and NZD were the biggest losers, weighed by risk aversion. The dollar index was marginally lower (-0.07%) at 93.98.

- USD/MYR retreated modestly for the second day by 0.1% to 4.1495. We continue to expect a neutral outlook for the pair in the run-up to the release of Malaysia 3Q GDP numbers on Friday. We are pencilling a small GDP contraction triggered by the lockdown measures and expect USD/MYR to trade within 4.14-4.18 this week.

- Gold prices climbed for the fourth session in a row against a backdrop of mixed USD performance. Futures picked up 0.2% to $1830.8/oz.

- Oil prices jumped as the market pushed back on expectations that the US government may offer immediate relief by releasing oil from its Strategic Petroleum Reserves. The White House cited the EIA's forecast that gasoline prices would retreat in December through the first quarter of 2022 as supply would have gained by then. WTI rallied 2.7% to $84.15/barrel while Brent crude rose 1.6% to $84.78/barrel.

US producer prices inflation held steadily at record level:

- The latest set of US PPI inflation data met consensus expectations. Producer prices for final demand rose 0.6% m/m in October, accelerating from the 0.5% gain in September. The annual rate of gain for the index, which tracked prices of goods sold by producer companies, was unchanged at 8.6% y/y, its largest increase on the data's 10-year record. Core PPI rate which stripped out food and energy also held steadily at an elevated 6.8% y/y, reflecting sustained inflation in the economy.
- On a separate note, the NFIB Small Business Optimism Index slipped to a seven-month low of 98.2 in October, from 99.1 in September. The weakening sentiment among American small business owners was attributed to higher inflation and supply chain challenges with a net 53% of surveyed firms reported raising prices.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	36,319.98	-0.31
S&P 500	4,685.25	-0.35
NASDAQ	15,886.54	-0.60
Stoxx 600	482.71	-0.19
FTSE 100	7,274.04	-0.36
Nikkei 225	29,285.46	-0.75
Hang Seng	24,813.13	0.20
Straits Times	3,243.42	-0.63
KLCI 30	1,524.03	-0.74
FX		
Dollar Index	93.96	-0.10
EUR/USD	1.1593	0.05
GBP/USD	1.3557	-0.04
USD/JPY	112.87	-0.32
AUD/USD	0.7378	-0.61
USD/CNH	6.3897	0.02
USD/MYR	4.1495	-0.11
USD/SGD	1.3474	-0.01
Commodities		
WTI ($/bbl)	84.15	2.71
Brent ($/bbl)	84.78	1.62
Gold ($/oz)	1,830.80	0.15

Source: Bloomberg, HLBB Global Markets Research

Substantial jump in German investor confidence:

- German investor sentiment jumped in November as reflected in the ZEW Institute's monthly survey. The gauge of expectations for Germany picked up for the first time in six months to 31.7 (Oct: 22.3) while the same index for the Eurozone rose to 25.9 this month (Oct: 21.0). The improved confidence level stemmed from predictions that the Euro area economy could soon recover from the expected ease in the global supply chain challenge.

Australia's confidence improved after lockdowns ended:

- Australia's business conditions and confidence rose in October after lockdowns ended in both New South Wales and Victoria. The NAB Business Confidence Index advanced to 21 in October, from 10 prior. The gauge for current conditions also inched up to 11 (Sep: 5). The survey showed that trading, profitability, employment as well as forward orders picked up substantially last month, indicating a strong rebound in activity as the country's major states emerged from lockdowns.

Malaysia's industrial production rebounded in September:

- Malaysia's industrial Production Index (IPI) rebounded and increased 2.5% y/y in September, driven by improvement across the three key sectors. The manufacturing sector led with quicker production growth of 4.0% y/y in September (Aug: +0.6%), its best since June when the renewed nationwide lockdown was implemented. The electricity subsector also eked out a positive gain for the first time in four months (+0.4% vs -4.8% y/y). Mining output narrowed its decline to 3.0% (Aug: -4.2% y/y), as the gain in natural gas was offset by a bigger decline in the crude oil index. On a month-on-month basis, production increased 3.7%, lifted by a commendable 5.5% m/m growth in manufacturing.
- The growth outlook has turned brighter in our view, underpinned by the high vaccination rate, greater relaxation in movement restrictions and full economic reopening. We still expect a small contraction in 3Q GDP but we now see upside risks to our full year GDP growth forecast of 2.7% and will be reviewing it post 3Q GDP release scheduled on Friday (12-Nov).

House View and Forecasts

FX	This Week	4Q-21	1Q-22	2Q-22	3Q-22
DXY	93-95	94.50	95.00	95.50	96.50
EUR/USD	1.14-1.17	1.15	1.14	1.14	1.13
GBP/USD	1.34-1.37	1.35	1.35	1.34	1.33
AUD/USD	0.73-0.75	0.72	0.71	0.71	0.70
USD/JPY	112-115	112	113	114	115
USD/MYR	4.14-4.18	4.15	4.15	4.15	4.15
USD/SGD	1.34-1.36	1.35	1.34	1.33	1.34

Policy Rate %	Current	4Q-21	1Q-22	2Q-22	3Q-22
Fed	0-0.25%	0-0.25%	0-0.25%	0-0.25%	0-0.25%
ECB	-0.50	-0.50	-0.50	-0.50	-0.50
BOE	0.10	0.10	0.10	0.10	0.25
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

Source: HLBB Global Markets Research

Up Next

Date	Events	Prior
10/11	AU Westpac Consumer Conf Index (Nov)	104.6
	CN CPI YoY (Oct)	0.7%
	CN PPI YoY (Oct)	10.7%

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	JP Machine Tool Orders YoY (Oct P)	71.9%
	US MBA Mortgage Applications (05 Nov)	-3.3%
	US Initial Jobless Claims (06 Nov)	269k
	US CPI YoY (Oct)	5.4%
11/11	NZ ANZ Business Confidence (Nov P)	-13.4
	UK RICS House Price Balance (Oct)	68.0%
	AU Employment Change (Oct)	-138.0k
	AU Unemployment Rate (Oct)	4.6%
	UK Industrial Production MoM (Sep)	0.8%
	UK GDP QoQ (3Q P)	5.5%

Source: Bloomberg