11 August 2021

Global Markets Research

Daily Market Highlights

11-Aug: Renewed growth optimism

The US Senate passed the infrastructure bill
The Dow and S&P 500 hit fresh record highs; USD, yields and commodities advanced
Focus shifts to US CPI

- US stocks extended its rally with the Dow and S&P pushing through another fresh record highs overnight, as the passing of a $550bn infrastructure bill by the Senate, as part of President Biden's massive $3.5 trillion economic aid package, was well-received by the markets on expectations it will infuse further stimulus to spearhead the still bumpy recovery path. Demand and growth optimism took center stage, sending risk assets and oil prices higher, overshadowing ravaging Delta virus variants momentarily.

- The Dow Jones rose 0.4% while the S&P 500 clinched a 0.1% gain on the day, while the tech-focus NASDAQ index fell by 0.5% d/d. Technology stocks were sold off while energy and industrial stocks advanced on expectations of better demand outlook.

- US treasuries came under pressure amid paring of haven demand, pushing yields up by a modest 1-2bps across the curve. The benchmark 10Y note yield settled 1bp higher at 1.34% while the 2s settled within a bp at 0.23%. Expectations that the Fed may soon announce its tapering plans and may raise rates sooner than later post the upbeat US job reports continued to resonate. Chicago Fed President Evans said he expects substantial further progress on the Fed stimulus unwinding plan later this year.

- The dollar continued to trade on a firmer note tracking higher yields, strengthening against the JPY, EUR, and GBP but weakened against commodity currencies. The DXY returned a more moderate gain of 0.1% d/d to 93.06 as at yesterday's close, regaining the big figure 93 for the first time since end-March.

- USD/MYR trended higher on Monday ahead of the Malaysian public holiday yesterday, up 0.2% d/d to a close of 4.2285, its highest in seven days. The relaxation of movement controls for the fully vaccinated population announced on Sunday attracted mixed responses amid lingering jitters on the pandemic and political front. We remain neutral to slightly bullish on the pair within the 4.22-4.23 big figures underpinned by a firmer USD in the absence of fresh catalysts domestically.

- Commodity prices advanced on renewed growth optimism. Gold prices edged up 0.3% to $1728.8/oz. Crude oil prices recovered by over 2.0%, bouncing back from recent declines but remained close to 7.0% off from end-July's high. Brent crude rose 2.3% to $70.63/barrel while the US benchmark WTI increased 2.7% to $68.29/barrel.

- Looking ahead, futures point to mixed start in Asia markets this morning. On the data front, following yesterday's reports that showed business sentiments and outlook all deteriorated in the US, EU and Australia, focus will now shift to US CPI tonight, where any surprises will likely swing expectations for the Fed tapering plans.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	35,264.67	0.46
S&P 500	4,436.75	0.10
NASDAQ	14,788.09	-0.49
Stoxx 600	472.32	0.35
FTSE 100	7,161.04	0.40
Nikkei 225	27,888.15	0.24
Hang Seng	26,605.62	1.23
Straits Times	3,207.36	0.95
KLCI 30*	1,496.73	0.47
FX		
Dollar Index	93.06	0.12
EUR/USD	1.1720	-0.14
GBP/USD	1.3843	-0.03
USD/JPY	110.57	0.25
AUD/USD	0.7350	0.23
USD/CNH	6.4874	0.02
USD/MYR*	4.2285	-0.20
USD/SGD	1.3594	0.18
Commodities		
WTI ($/bbl)	68.29	2.72
Brent ($/bbl)	70.63	2.30
Gold ($/oz)	1,728.80	0.31

**as at 9-August close*
Source: Bloomberg, HLBB Global Markets Research

US NFIB small business optimism tanked:

- NFIB small business optimism index tapered off more than expected to 99.7 in July, proving last month's first rebound above the 100 threshold in six months as just a blip (Jun: 102.5). Small business owners were turning more pessimistic about the economy and sales expectations fell to a 5-month low. Meanwhile, a record percentage (49%) reported unfilled job vacancies. Ongoing supply chain disruption and mismatch in the labour market will likely continue to weigh on business outlook going forward.

Eurozone ZEW expectations fell sharply:

- A survey by ZEW showed investor expectations deteriorated sharply to 42.7 in August (Jul: 61.2). This marked its 3rd consecutive month of pullback, and its lowest level since Nov-20, as the Delta variant continued to cloud the recovery outlook despite an improvement in the current situation.

Australia NAB business confidence slipped into negative mode:

- NAB business confidence turned negative again in July for the first time in ten months, falling a whooping 19 points to -8 in July (Jun: +11). The condition index also plunged by more than half to 11 (Jun: 25 revised) as key cities in the country went into lockdown again following a flare-up in Delta variant cases. All key parameters retreated, with forward orders, exports and export sales in negative territory.

House View and Forecasts

FX	This Week	3Q-21	4Q-21	1Q-22	2Q-22
DXY	91.00-93.00	92.00	91.50	90.00	89.00
EUR/USD	1.17-1.20	1.18	1.19	1.21	1.22
GBP/USD	1.37-1.41	1.40	1.41	1.43	1.45
AUD/USD	0.72-0.75	0.74	0.74	0.76	0.77
USD/JPY	108-111	109.00	108.00	107.00	105.00
USD/MYR	4.21-4.25	4.23	4.20	4.20	4.15
USD/SGD	1.34-1.36	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	1.50	1.50	1.50	1.50
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
11/08	SG GDP YoY (2Q F)	14.3%
	AU Westpac Consumer Conf Index (Aug)	108.8
	JP Machine Tool Orders YoY (Jul P)	96.6%
	US MBA Mortgage Applications (06 Aug)	-1.7%
	US CPI YoY (Jul)	5.4%
12/08	UK RICS House Price Balance (Jul)	83.0%
	UK GDP QoQ (2Q P)	-1.6%
	UK Monthly GDP (MoM) (Jun)	0.8%
	UK Industrial Production MoM (Jun)	0.8%
	UK Visible Trade Balance GBP/Mn (Jun)	-£8481m
	EZ Industrial Production SA MoM (Jun)	-1.0%
	US Initial Jobless Claims (07 Aug)	--
	US PPI Final Demand YoY (Jul)	7.3%

Source: Bloomberg

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