

Global Markets Research
Daily Market Highlights

11-Oct: Slower US job growth in September

US stocks closed out volatile week with gains

Rising US yields undeterred by disappointing job data

Labour shortage, Delta variant hampered US hiring activity

- US stocks ended Friday's session lower on disappointing job data but closed out the week with gains. The Dow Jones was little changed (-0.03%); the S&P 500 fell modestly (-0.2%) while tech-heavy NASDAQ recorded steeper losses (-0.5%). For the week, the Dow was the top performer (+1.2% w/w), followed by the S&P 500 (+0.8% w/w). A Facebook led tech selloff at the start of the week had capped the gain in NASDAQ, which ended only marginally higher (+0.09% w/w).
- Treasury yields rose as investors expected the Fed to carry on with bond tapering in November despite the weaker than expected NFP numbers. Fed Chair Powell had mentioned before that there was no need for a very strong job report to go ahead with tapering. The yield curve steepened with overall yields climbing by 1.2 to 4.0bps; the 10Y UST yield picked up nearly 4bps to 1.61%.
- The dollar broadly weakened against major currencies, leaving the DXY 0.2% lower at 94.07. JPY slumped to new 2021 low alongside the extended selling of treasuries. On a weekly basis, the DXY was virtually unchanged (+0.03% w/w). USD/MYR fell 0.1% to 4.1775 on Friday, ending a week of muted trading with little changes (-0.04% w/w). We continue to see a neutral USD/MYR outlook in the range of 4.16-4.20 in the week ahead. FOMC minutes and CPI readings will likely to be some swing factors to watch in the FX space.
- Gold prices stabilised on Friday with futures trading slightly lower (-0.09%) at \$1756.3/oz. Crude oil prices rose further amid expectations of a tight global supply. US WTI hit \$80/barrel for the first time since November 2014 before settling at \$79.35/barrel. Brent futures advanced to \$82.39/barrel (+0.5%).
- In the week ahead, the FOMC meeting minutes is set to shed some light on its recent decision to fast-track bond tapering and the hawkish shift in the dot plot. Top-tiered data include US CPI & retail sales, UK monthly GDP, Eurozone's IPI, China's trade and inflation data, Japan's IPI and Australia's job report.

US economy added 194k jobs in September:

- Nonfarm payrolls rose by 194k in September, its smallest increase this year and sharply below the consensus estimate of 500k. The new payrolls in July and August meanwhile were revised to reflect a net upward revision of 169k. Notable job gains were recorded in the leisure and hospitality, professional and business services, retail trade, transportation and warehousing. The slower than expected job growth last month was attributed partially to the spread of the Delta variant as well as the labour supply shortage which hampered hiring activity.
- The household survey showed that the unemployment rate fell to 4.8% in September (Aug: 5.2%), better than the consensus forecast of 5.1%. The decline was partly because of the shrinking of the labour force as the labour participation rate went down

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	34,746.25	-0.03
S&P 500	4,391.34	-0.19
NASDAQ	14,579.54	-0.51
Stoxx 600	457.29	-0.28
FTSE 100	7,095.55	0.25
Nikkei 225	28,048.94	1.34
Hang Seng	24,837.85	0.55
Straits Times	3,112.81	0.38
KLCI 30	1,563.90	0.17
FX		
Dollar Index	94.07	-0.16
EUR/USD	1.1569	0.15
GBP/USD	1.3615	-0.03
USD/JPY	112.24	0.55
AUD/USD	0.7309	-0.04
USD/CNH	6.4455	-0.11
USD/MYR	4.1775	-0.12
USD/SGD	1.3545	-0.30
Commodities		
WTI (\$/bbl)	79.35	1.34
Brent (\$/bbl)	82.39	0.54
Gold (\$/oz)	1,756.30	-0.09

Source: Bloomberg, HLBB Global Markets Research

to 61.6% (from 61.7% prior) as opposed to the expected pick-up to 61.8%. The average hourly earnings rose 0.6% m/m (Aug: +0.4% revised lower), translating to a 4.6% y/y growth (Aug: +4.0%). Wage growth accelerated as the robust demand for workers and shortage in labour led firms to offer more attractive pays and incentives.

China's Caixin Services PMI back above 50:

- China's Caixin Services PMI rose to 53.4 in September, better than the expected improvement to 49.2. In August, the PMI had slumped to 46.7, reflecting the impact of Covid restrictions on services sector activity. The quick turnaround in the PMI, back above the expansionary line, showed renewed and strong increases in both new work and output as the fall in infections boosted market conditions.

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	1.35-1.38	1.41	1.43	1.45
AUD/USD	0.72-0.74	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	1.34-1.37	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

Up Next

Date	Events	Prior
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
12/10	NZ Card Spending Retail MoM (Sep)	-19.8%
	AU NAB Business Confidence (Sep)	-5
	MA Industrial Production YoY (Aug)	-5.2%
	UK Average Weekly Earnings 3M/YoY (Aug)	8.3%
	UK ILO Unemployment Rate 3Mths (Aug)	4.6%
	UK Employment Change 3M/3M (Aug)	183k
	EZ ZEW Survey Expectations (Oct)	31.1
	US NFIB Small Business Optimism (Sep)	100.1
	US JOLTS Job Openings (Aug)	10934k

Source: Bloomberg

Hong Leong Bank Berhad

Fixed Income & Economic Research,
Global Markets
Level 8, Hong Leong Tower
6, Jalan Damanlela
Bukit Damansara
50490 Kuala Lumpur
Tel: 603-2081 1221
Fax: 603-2081 8936

HLMarkets@hlbb.hongleong.com.my

DISCLAIMER

This report is for information purposes only and does not take into account the investment objectives, financial situation or particular needs of any particular recipient. The information contained herein does not constitute the provision of investment advice and is not intended as an offer or solicitation with respect to the purchase or sale of any of the financial instruments mentioned in this report and will not form the basis or a part of any contract or commitment whatsoever.

The information contained in this publication is derived from data obtained from sources believed by Hong Leong Bank Berhad (“HLBB”) to be reliable and in good faith, but no warranties or guarantees, representations are made by HLBB with regard to the accuracy, completeness or suitability of the data. Any opinions expressed reflect the current judgment of the authors of the report and do not necessarily represent the opinion of HLBB or any of the companies within the Hong Leong Bank Group (“HLB Group”). The opinions reflected herein may change without notice and the opinions do not necessarily correspond to the opinions of HLBB. HLBB does not have an obligation to amend, modify or update this report or to otherwise notify a reader or recipient thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

HLB Group, their directors, employees and representatives do not have any responsibility or liability to any person or recipient (whether by reason of negligence, negligent misstatement or otherwise) arising from any statement, opinion or information, expressed or implied, arising out of, contained in or derived from or omission from the reports or matter.

Potential and actual conflict of interest may arise from the activities of HLB Group. HLB Group constitute a diversified financial services group. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, hedging transactions and other activities for their own account or the account of others. In the ordinary course of their business, HLB Group may effect transactions for their own account or for the account of their customers and hold long or short positions in the financial instruments. HLB Group, in connection with its business activities, may possess or acquire material information about the financial instruments. Such activities and information may involve or have an effect on the financial instruments. HLB Group have no obligation to disclose such information about the financial instruments or their activities.

The past performance of financial instruments is not indicative of future results. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Any projections or forecasts mentioned in this report may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information. No assurance can be given that any opinion described herein would yield favorable investment results. Recipients who are not market professional or institutional investor customer of HLBB should seek the advice of their independent financial advisor prior to taking any investment decision based on the recommendations in this report.

HLBB may provide hyperlinks to websites of entities mentioned in this report, however the inclusion of a link does not imply that HLBB endorses, recommends or approves any material on the linked page or accessible from it. Such linked websites are accessed entirely at your own risk. HLBB does not accept responsibility whatsoever for any such material, nor for consequences of its use.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. This report is for the use of the addressees only and may not be redistributed, reproduced or passed on to any other person or published, in part or in whole, for any purpose, without the prior, written consent of HLBB. The manner of distributing this report may be restricted by law or regulation in certain countries. Persons into whose possession this report may come are required to inform themselves about and to observe such restrictions. By accepting this report, a recipient hereof agrees to be bound by the foregoing limitations.