

**Global Markets Research**
**Daily Market Highlights**

# 13-Sep: Growth concerns intensified

## Renewed growth concerns weighed on US equities

## Treasury yields & dollar rose on higher-than-expected PPI inflation

## Oil prices surged on US supply disruption

- US stocks extended their losing streak on Friday, bringing the short trading week to a negative end. The Dow Jones and S&P 500 lost 0.8% while the NASDAQ shed 0.9% as the selling pressure in US equities intensified amid widespread concerns that the US reopening induced growth has peaked heading towards fall. Investors weighed the Federal Reserve's tightening plan and higher inflation expectations against the rapid spread of the coronavirus Delta variant. A phone call between President Biden and Xi, the second after President Biden resumed office, on transnational including among others, economic and competition issues, did not assuage bearish sellers. For the week, the Dow was the worst performer (-2.4 w/w, followed by the S&P 500 (-1.7%) and NASDAQ (-1.4%).
- US treasury yields rose on the medium-to-longer end of the curve. The yield on 10Y UST rose 4.4bps to 1.34% on Friday and only 2bps w/w higher compared to the previous Friday. The dollar broadly strengthened against most G10 currencies alongside the higher yields; the DXY closed modestly stronger at 92.58 (+0.1%). On a week-on-week basis, DXY clocked in a 0.6% gain, aided by weaker global sentiment.
- USD/MYR weakened by 0.3% to 4.1355 on Friday following a week of cautious trading. Friday's closing also marked the pair's third consecutive weekly decline since late August despite a rebound in the USD, underpinned by continuous portfolio demand flows. We remain neutral to slightly bearish on the pair, maintaining a range of 4.13-4.17 in the week ahead. Phased reopening of the domestic sectors coupled with a neutral BNM signalling further policy easing is not on the cards, shall be supportive of the MYR going forward.
- Gold prices slumped as the dollar strengthened; gold futures reversed the previous session gain to close 0.4% lower at \$1789.9/oz on Friday. The bullion snapped a four-week winning streak, suffering a 2.3% fall last week.
- Crude oil prices roared back in Friday's session, driven by supply disruption in the US after Hurricane Ida led to facility shutdown in the Gulf of Mexico. Brent crude closed 2.1% higher at \$72.92 after briefly hitting the \$73 mark; WTI surged 2.3% to \$69.72/barrel. Both benchmarks registered modest gains of 0.4-0.6% w/w following a week of mixed headlines.

### US factory gate inflation surged more than expected in August:

- The producer price index for final demand rose 0.7% m/m in August (Jul: +1.0%), more than the expected increase of 0.6%. This left August's annual PPI rate at 8.3% y/y, higher than the consensus forecast (+8.2%) and July reading (+7.8%), reflecting the surging price pressure at US factories amid the ongoing input shortages. The core PPI inflation also accelerated to 6.7% y/y (Jul: +6.2%). Breakdowns showed that prices of food soared

### Key Market Metrics

	Level	d/d (%)
<b>Equities</b>		
Dow Jones	34,607.72	-0.78
S&P 500	4,458.58	-0.77
NASDAQ	15,115.49	-0.87
Stoxx 600	466.34	-0.26
FTSE 100	7,029.20	0.07
Nikkei 225	30,381.84	1.25
Hang Seng	26,205.91	1.91
Straits Times	3,098.80	0.88
KLCI 30	1,575.97	-0.18
<b>FX</b>		
Dollar Index	92.58	0.11
EUR/USD	1.1814	-0.09
GBP/USD	1.3839	0.01
USD/JPY	109.94	0.20
AUD/USD	0.7356	-0.16
USD/CNH	6.4432	-0.13
USD/MYR	4.1355	-0.31
USD/SGD	1.3415	-0.10
<b>Commodities</b>		
WTI (\$/bbl)	69.72	2.32
Brent (\$/bbl)	72.92	2.06
Gold (\$/oz)	1,789.90	-0.44

Source: Bloomberg, HLBB Global Markets Research

the most (+2.9% y/y) while the costs of transports and warehouse services (+2.8% y/y) sustained a sharp gain.

#### UK data weakened in July:

- The UK's economic indicators largely weakened in July despite the government lifting all pandemic restrictions, suggesting that growth momentum has softened from the initial reopening boost. The headline nominal GDP index rose a mere 0.1% m/m in July, following a 1.0% growth in the previous month; this was below the expected gain of 0.5% m/m.
- The rebound in industrial production (+1.2% vs -0.7% prior) was offset by the dip in construction output (-1.6% vs -1.3% prior) while the services output was unchanged from the previous month (+1.5%). Goods trade deficit widened to £12.7b in July, from £12.0b previously, reflecting a decline in exports (-1.0%) and gain in imports (+1.1%). The resurgence of the pandemic in July coupled with the easing in pent-up demand might have weighed activity although the supply chain constraints did play some parts in constraining growth.

#### Japan's business conditions and outlook improved:

- Japan's business conditions improved in the third quarter according the BSI Survey after government lifted the State of Emergency towards the end of 2Q, just ahead of the Summer Olympics in 3Q. The All-Industry Index rose 3.3% in 3Q (2Q: -4.7%), reflecting the rebound in both manufacturing (+7.0%) and non-manufacturing (+1.5%). Firms also turned more optimistic as their assessment for business outlook in 4Q21 (+6.8%) and 1Q22 (+6.8%) rose substantially.
- In a separate note, producer price index was unchanged in August when compared to the previous month (Jul: +1.1%), leaving the annual PPI rate slightly lower at 5.5% y/y (Jul: +5.6%). The still historically elevated factory gate inflation reflects the widespread price pressure faced by the manufacturing sector worldwide, although in Japan the price gains were barely passed to consumers.

#### Malaysia's industrial production data disappointed:

- Malaysia's industrial production posted a bigger than expected decline of 5.2% y/y in July, following the tiny 1.4% y/y gain in June. This marked its first contraction in eight months as the reimposition of movement control orders continued to take a toll on economic activities amid closure, complete or partial, of factories and businesses. The decline was led by a 6.5% y/y contraction in manufacturing output followed by a 6.6% y/y fall in electricity production, while mining output managed to maintain a small positive gain (+0.6%), thanks to increase in the natural gas index. MOM, IPI also fell 5.3% m/m, reversing the 1.6% increase in June. In tandem, manufacturing sales also lost traction, but still managed to print +0.6% y/y during the month (Jun: +6.5%). The latest data reaffirmed a weak start to 3Q and the recovery outlook remains uncertain and bumpy going forward.

#### 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	1.37-1.39	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
14/09	AU NAB Business Confidence (Aug)	-8
	JP Industrial Production MoM (Jul F)	-1.5%
	UK ILO Unemployment Rate 3Mths (Jul)	4.7%
	UK Employment Change 3M/3M (Jul)	95k
	US NFIB Small Business Optimism (Aug)	99.7
	US CPI YoY (Aug)	5.4%

Source: Bloomberg

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