

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

# 13-Oct: Risk-off sentiment prevailed

**Risk aversion weighed on stocks & long-term yields; USD rose  
IMF downgraded 2021 outlook, citing supply chain disruption  
Eyes on Fed minutes & US CPI while earnings season kicks off**

- US stocks slipped for the third consecutive session on Tuesday, led by a selloff in technology shares. The S&P 500 was down by 0.2% as the losses in tech, healthcare, industrial and financials offset the gains in other sectors such as real estate and consumer discretionary. The Dow lost 0.3% while NASDAQ shed 0.1%. In Europe, stock markets closed in the red while key Asian benchmarks in Hong Kong and Japan posted losses amid a generally risk-off environment.
- US bond markets reopened after being off on Monday. Longer-term yields edged lower after recent climb with the 10Y UST yield sliding to 1.58% (-3.5bps). Short-term yields picked up, leaving the curve to bull flatten. The DXY advanced further by 0.2% to 94.52 as the USD strengthened modestly against most major currencies. AUD and GBP were relatively resilient, closing little changed.
- USD/MYR finished lower for the fourth consecutive session at 4.1645 (-0.1%), in line with our neutral to bullish outlook for MYR in the short term. The reopening of the interstate borders within Malaysia alongside the rallies in crude oil and CPO prices are expected to offer support to the local currency, although the upside may be capped by the pre-FOMC minutes and US CPI jittery today, which may be potential swing factors in the FX space this week.
- Gold prices rebounded from recent losses, supported by risk aversion; futures rose 0.2% to \$1758.3/oz. Crude oil prices consolidated gains as Brent shed 0.3% to \$83.42 while WTI stabilised (+0.2%) at \$80.64/barrel.
- The IMF downgraded its 2021 growth forecast to 5.9%, from the 6.0% projection it announced in July, citing supply chain disruption, Delta variant and rising inflation. The forecast for 2022 was unchanged at 4.9%. The balance of risks is tilted to the downside for growth and upside for inflation. The earnings season kicked off today with the release of major banks' third quarter corporate results, starting with JP Morgan and followed by Citigroup, Bank of America and Wells Fargo tomorrow. The US September CPI data and FOMC minutes are also in focus today. China's trade report and the UK output indicators are also in the data docket.

**Key Market Metrics**

	Level	d/d (%)
<b>Equities</b>		
Dow Jones	34,378.34	-0.34
S&P 500	4,350.65	-0.24
NASDAQ	14,465.92	-0.14
Stoxx 600	457.21	-0.07
FTSE 100	7,130.23	-0.23
Nikkei 225	28,230.61	-0.94
Hang Seng	24,962.59	-1.43
Straits Times	3,112.05	-0.05
KLCI 30	1,583.91	0.83
<b>FX</b>		
Dollar Index	94.52	0.21
EUR/USD	1.1530	-0.19
GBP/USD	1.3588	-0.05
USD/JPY	113.61	0.26
AUD/USD	0.7350	-0.01
USD/CNH	6.4558	-0.05
USD/MYR	4.1645	-0.14
USD/SGD	1.3572	0.16
<b>Commodities</b>		
WTI (\$/bbl)	80.64	0.15
Brent (\$/bbl)	83.42	-0.27
Gold (\$/oz)	1,758.30	0.21

Source: Bloomberg, HLBB Global Markets Research

**US job openings fell in August; small business sentiment weakened on labour shortage:**

- US job openings fell to 10.4mil in August, from the upwardly revised 11.1mil in July, according to the Labour Department's JOLTS report. This was the first decline in job openings this year although still at historically elevated levels. The quit rate jumped to a record high of 2.9% (Jul: 2.7%) as more people voluntarily resigned from their roles in search of jobs with better pays and incentives amid the ongoing hiring spree.
- In a separate report, the NFIB Small Business Optimism Index edged lower to 99.1 in September (Aug: 100.1), its lowest level since March. Sentiment was dragged down by labour shortages and accompanying conditions to raise wages to attract workers. This

is reflected in the survey gauge of unfilled positions (51% vs 50% prior) and net compensation (42% vs 41% prior).

#### **Germany's investor sentiment slumped further in October:**

- German investor sentiment weakened in October as reflected in the decline in the ZEW index for the Eurozone (21.0 vs 31.1 prior). The same reading for Germany's outlook also slumped to 22.3 (from 26.5 prior), its lowest level since the negative reading recorded in March last year during the onset of the global pandemic. The loss in confidence is attributed to the global supply chain bottlenecks which had constrained growth potentials in Germany as well as the broader euro area. Investors also grappled with the expected slowdown in the economy after the reopening pent-up demand peaked in summer.

#### **UK labour recovery continued:**

- The UK economy added 235k jobs in the three months to August, slightly below the consensus forecast of 250k but more than the 183k gain in the previous period. The unemployment rate fell to 4.5% as expected, from 4.6% prior and was now 0.5 pts higher than pre-pandemic level. The latest set of data showed continuing recovery in the UK labour market but still reflected support from the government furlough scheme which had ended in September. Having said that, the end of the scheme is not expected to raise unemployment rate sharply as labour demand is reported to be high; a separate survey by the UK statistics office showed that job vacancies reached a record high of 1.1mil in the Jul-Sep 2021 period, representing an increase of 318k from the pre-pandemic Jan-Mar 2021 level.

#### **Japan's business capex weighed by State of Emergency restrictions:**

- Japan's core machinery orders fell 2.4% m/m in August, defying the expectation for a 1.4% increase. This followed the 0.9% m/m gain in July and reflects the impact of the State of Emergency measures which remained widely in place during that period, leading businesses to cut capex. On a y/y basis, core machinery orders rose 17.0% (Jul: +11.1%).

#### **Australia's business confidence jumped in September; consumer turned gloomy in October:**

- The NAB Business Confidence Index jumped to 13.0 in September (Aug: -6.0) reflecting a rebound in business sentiment following two months of negative readings. This was driven by the shift in confidence in New South Wales and Victoria in response to the reopening roadmaps as well as the higher vaccination rates. However, the current conditions index slumped to 5.0 (Aug: 14) as lockdowns continued to weigh on activity when the survey was taken. NSW had reopened this week via easing of restrictions on fully vaccinated individuals.
- In a separate note, the Westpac Consumer Confidence Index ticked lower to 104.6 in October (Sep: 106.2), reflecting consumers' poorer outlook for the 1-year ahead economy although the current conditions gauge turned less negative and the climate to purchase major household items turned positive amid expectations for further relaxation of Covid related restrictions.

#### **Malaysia's industrial production recorded smaller decline:**

- Malaysia's industrial production registered a smaller than expected contraction of 0.7% y/y in August (Jul: -5.2%), as a turnaround in manufacturing production in the wake of more factories reopening lifted overall production. In line with the improving picture, overall IPI rebounded to increase 3.2% m/m (Jul: -5.3% m/m) with all major manufacturing sub-sectors showing some recoveries. The latest data confirmed pick-up in economic activities as the economy progressively emerged from the lockdown instituted in June. However, the earlier damages and scarring effects will still result in a contraction in 3Q GDP in our view, aggravated by tightness in the global supply chain that set back many production facilities even as they are allowed to reopen.

## House View and Forecasts

FX	This Week	4Q-21	1Q-22	2Q-22	3Q-22
DXY	93-96	94.50	95.00	95.50	96.50
EUR/USD	1.14-1.17	1.15	1.14	1.14	1.13
GBP/USD	1.35-1.38	1.35	1.35	1.34	1.33
AUD/USD	0.72-0.74	0.72	0.71	0.71	0.70
USD/JPY	110-113	112	113	114	115
USD/MYR	4.16-4.20	4.15	4.15	4.15	4.15
USD/SGD	1.34-1.37	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
13/10	CN Exports YoY (Sep)	25.6%
	CN Imports YoY (Sep)	33.1%
	UK Monthly GDP (MoM) (Aug)	0.1%
	UK Industrial Production MoM (Aug)	1.2%
	UK Index of Services MoM (Aug)	0.0%
	UK Visible Trade Balance GBP/Mn (Aug)	-£12706m
	EZ Industrial Production SA MoM (Aug)	1.5%
	US MBA Mortgage Applications (08 Oct)	--
	US CPI YoY (Sep)	5.3%
	14/10	US FOMC Meeting Minutes (22 Sep)
UK RICS House Price Balance (Sep)		73%
AU Employment Change (Sep)		-146.3k
AU Unemployment Rate (Sep)		4.5%
CN CPI YoY (Sep)		0.8%
CN PPI YoY (Sep)		9.5%
JP Industrial Production MoM (Aug F)		-3.2%
US Initial Jobless Claims (09 Oct)		--
US PPI Final Demand YoY (Sep)	8.3%	

Source: Bloomberg

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