

Global Markets Research
Daily Market Highlights

15-Sep: Softer CPI eased tapering expectations

Investors sold stocks and bought safe haven assets

US headline and core inflations softened in August

China's data splurge in focus

- US stocks and treasury yields slipped overnight after government data showed that inflationary pressure in the US softened in August which indicated a slowdown in consumer spending and reduced expectations of a September bond tapering announcement by the Federal Reserve. Among the US main benchmarks, the Dow Jones fell the most by 0.8% while the broader S&P 500 shed 0.6% of which the selloff was broad-based across all eleven S&P 500 sectors. The tech heavy NASDAQ index ticked lower by 0.5%. Earlier, stocks saw mixed performances in Europe and Asia.
- Safe haven assets advanced. Investors bought bonds, gold and perceived safer currencies. Treasury curve bull-flattened with the yield on the benchmark 10Y UST falling to 1.28% (-4.2bps) and the 30Y yield down to 1.86% (-4.5bps). Gold futures rallied by 0.7% to \$1805/oz. The USD strengthened against most G10 currencies but weakened against the JPY and CHF, thus leaving the DXY slightly lower (-0.06%) at 92.62. Commodity currencies led the losses among the G10s with the AUD being the major loser.
- The ringgit weakened against the dollar for the second consecutive session. USD/MYR had been hovering at circa 4.15 most of the day before picking up momentum towards the end of Tuesday's session to close 0.3% higher at 4.1630 in anticipation of the US CPI data. Rising risk-off sentiment across the global landscape may prompt further strengthening of the pair particularly ahead of Malaysia's public holiday tomorrow. Resistance is at 4.17.
- Meanwhile, crude oil prices stabilised from the recent rallies; Brent crude rose 0.1% to \$73.60/barrel and WTI was little changed at \$70.46/barrel. Stock futures fell sharply in Hong Kong and Japan as of writing, as Asian shares are expected to track the losses in the US market overnight. China NBS will release its monthly key indicators and analysts are looking for another slowdown in August data. The Eurozone and the US will also report industrial production data and the UK's CPI is due too.

US inflationary pressure lost momentum in August:

- US CPI readings came in lower in August, compared to the previous month, reaffirming the Federal Reserve's ongoing view that high inflation is transitory in the economy. The easing of price pressure also suggests that consumer spending might have waned amid the rapid spread of the Delta variant. CPI inflation slowed to 0.3% m/m in August, from the 0.5% gain prior; the reading missed the consensus forecast of 0.4%. The core CPI rate also fell to 0.1% m/m (Jul: +0.3%).
- Breakdowns showed that prices of food and services rose lesser last month while the price of transportations declined, thanks to the retreat in vehicle sales. On a year-on-year basis, headline inflation rose 5.3% in August, matching forecasts but down from the 5.4% in July. Core CPI inflation dipped to 4.0% y/y (Jul: +4.3%).

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	34,577.57	-0.84
S&P 500	4,443.05	-0.57
NASDAQ	15,037.76	-0.45
Stoxx 600	467.65	-0.01
FTSE 100	7,034.06	-0.49
Nikkei 225	30,670.10	0.73
Hang Seng	25,502.23	-1.21
Straits Times	3,080.37	0.20
KLCI 30	1,555.51	-0.93
FX		
Dollar Index	92.62	-0.06
EUR/USD	1.1803	-0.07
GBP/USD	1.3810	-0.20
USD/JPY	109.69	-0.27
AUD/USD	0.7320	-0.66
USD/CNH	6.4346	-0.12
USD/MYR	4.1630	0.30
USD/SGD	1.3438	0.10
Commodities		
WTI (\$/bbl)	70.46	0.01
Brent (\$/bbl)	73.60	0.12
Gold (\$/oz)	1,805.00	0.71

Source: Bloomberg, HLBB Global Markets Research

Improvement in US small business confidence:

- The NFIB Small Business Optimism Index ticked slightly higher to 100.1 in August, from 99.7 prior, pointing to an improvement in sentiment among small firms in the US. The latest survey showed that more firms looked forward to increasing capex and inventory. The challenge to fill vacancies remained a widespread problem with 50% of the surveyed owners reporting inability to fill positions. They also expected higher selling prices and net compensation, in line with the general rise in input costs.

Continuous recovery in UK job market:

- The UK labour market conditions continued to recover as employment rose by 183k in the May to July period (prior: +95k); the increase however missed the consensus forecast of 199k. Total employment now stood at 32.36mil, still 716k below its pre-pandemic Dec 2019-Feb 2020 levels. The unemployment rate fell to 4.6%, from 4.7%, matching expectations. Wage growth excluding bonus payment eased to 6.8% y/y from the peak of 7.3% prior, still distorted by the lack of lower income group in the calculation and low base effect. The ONS estimated that the underlying wage growth should be somewhere between 3.6% to 5.1% y/y, higher than the pre-pandemic 12-month range of 2.9% to 3.9% y/y. Labour shortages might have contributed to the gains.
- The lifting of the pandemic restriction in July has helped to drive the recovery; this was proven by the falling number of furloughed workers on the government's workers retention scheme (separate report). As of July, about 1.6mil workers were on the program, 340k fewer compared to the previous month. The scheme will end this month and may lead to temporary increase in the jobless rate.

Japan's industrial output declined in July:

- Japan's industrial production fell 1.5% m/m in July, unrevised from the initial estimate. The reduced output followed a sharp 6.5% increase in June and reflected the supply chain challenge faced by manufacturers worldwide. Operating ratio fell by 3.4% m/m (Jun: +6.2%). Production of motor vehicles, chemicals as well as electrical machinery and information & communication electronics equipment edged down in that month. Compared to July last year, total output was 11.6% y/y higher (Jun: +23.0%).
- A separate report released this morning showed that core machinery orders rebounded by 0.9% m/m in July from the 1.5% decline in the previous month, but missed the consensus estimate of a stronger 2.5% gain. The 11.1% y/y growth (Jul: +18.6%) also missed forecast.

Australia's business sentiment remained negative:

- Australia's business confidence turned less negative in August while the current business conditions also appeared to have improved according to the NAB's latest survey. The business condition index rose to +14 in August (Jul: +10) after two months of sharp declines, reflecting the improvement in trading and profitability which indicates some resilience in economic activity despite the lockdowns in NSW and Victoria. Business confidence rose to -5 in August (Jul: -7); the negative reading was a result of low confidence in NSW, Victoria and Queensland as the pandemic restrictions weighed on sentiment.

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
15/09	AU Westpac Consumer Conf Index (Sep)	104.1
	CN Retail Sales YoY (Aug)	8.5%
	CN Industrial Production YoY (Aug)	6.4%
	CN Fixed Assets Ex Rural YTD YoY (Aug)	10.3%
	UK CPI YoY (Aug)	2.0%
	EZ Industrial Production SA MoM (Jul)	-0.3%
	EZ Labour Costs YoY (2Q)	1.5%
	US MBA Mortgage Applications (10 Sep)	-1.9%
	US Empire Manufacturing (Sep)	18.3
	US Industrial Production MoM (Aug)	0.9%
16/09	NZ GDP SA QoQ (2Q)	1.6%
	JP Exports YoY (Aug)	37.0%
	AU Employment Change (Aug)	2.2k
	AU Unemployment Rate (Aug)	4.60%
	EZ Trade Balance SA (Jul)	12.4b
	US Retail Sales Advance MoM (Aug)	-1.1%
	US Initial Jobless Claims (11 Sep)	310k
	US Philadelphia Fed Business Outlook (Sep)	19.4

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

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