

Global Markets Research
Daily Market Highlights

15-Oct: Equities rallied on strong earnings

Positive corporate earnings & jobless claims data boosted stock prices

US treasury yields, USD ticked lower

Divergence in China's CPI and PPI deepened

- US stocks jumped overnight, boosted by the robust corporate earnings and economic data. All three US benchmarks registered impressive gains with the Dow adding 535pts or 1.6% in a single session. The S&P 500 and NASDAQ both surged by 1.7%, supported by a broad-based rally across all sectors. Materials and infotech were the major winners among the S&P 500's eleven sectors, picking up more than 2.0%.
- Bank of America, Wells Fargo, Morgan Stanley and Citigroup all reported better-than-expected earnings alongside health insurance giant UnitedHealth and pharmacy chain Walgreens. The number of new first-time claimants for unemployment benefit fell below 300 in the pandemic era.
- Treasury yields continued to fall despite sticky inflation and firmer expectations of a Fed tapering as soon as next month. The yield on 10Y UST was down by the third consecutive session to 1.51% (-2.6bps). Amid lower yields, the dollar was seen weakening against most G10 and Asian currencies, except the yen and renminbi (both on- and offshore). The PBOC had set a lower-than-expected reference rate on Thursday. The dollar index ticked lower (-0.1%) to 93.96.
- USD/MYR shed 0.1% to close at 4.1545, marking its sixth consecutive negative session. The extended down moves followed continuous USD weakness and is in line with our neutral to bullish outlook for MYR in the short term. The reopening optimism and recent rallies in crude oil and CPO prices have continued to offer support to the local currency, and the weaker USD further reinforces the bullish MYR sentiment, with immediate support at 4.1500. A breach below 4.1500 paves way for a one-month low of 4.1455.
- Gold prices rose modestly by 0.2% with futures closing at \$1796.7/oz. Crude oil prices advanced by around 1.0% as the International Energy Agency warned of a global energy crunch. Brent crude settled at \$84.00/barrel and WTI closed at \$81.31/barrel.

US new jobless claims at pandemic low; PPI missed forecasts:

- Initial jobless claims fell to 293k last week (prior: 329k revised), marking its first below-300 reading since the start of the pandemic last year. The reading beat the consensus forecast that called for 320k fresh claimants and dragged down the 4-week moving average to 334.25k (prior 344.75k), an indication that hiring activity outpaced layoffs.
- Prices paid to US producers recorded its smallest monthly gain this year. Producer price index for final demand rose 0.5% m/m in September, easing from the 0.7% m/m rate in August and lower than consensus estimation of +0.6% m/m. This reflects smaller gain in services costs of which the costs of transports and warehousing was seen declining by 4.0%, attributed to the spread of the Delta variant. The cost of airline passenger services dropped by almost 17.0% m/m. The prices of goods continued to

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	34,912.56	1.56
S&P 500	4,438.26	1.71
NASDAQ	14,823.43	1.73
Stoxx 600	465.92	1.20
FTSE 100	7,207.71	0.92
Nikkei 225	28,550.93	1.46
Hang Seng	24,962.59	-1.43
Straits Times	3,164.86	0.27
KLCI 30	1,592.52	-0.49
FX		
Dollar Index	93.96	-0.13
EUR/USD	1.1597	0.03
GBP/USD	1.3673	0.10
USD/JPY	113.68	0.38
AUD/USD	0.7416	0.50
USD/CNH	6.4359	0.12
USD/MYR	4.1545	-0.14
USD/SGD	1.3488	-0.21
Commodities		
WTI (\$/bbl)	81.31	1.08
Brent (\$/bbl)	84.00	0.99
Gold (\$/oz)	1,796.70	0.17

Source: Bloomberg, HLBB Global Markets Research

creep up. The annual PPI rate picked up to 8.6% y/y (Aug: +8.3%) but missed forecast (+8.7%).

UK RICS survey indicates easing housing market:

- The RICS house price balance index slipped to 68% in September, from 72% in August, pointing to softening housing market conditions in the UK. The survey showed lower price expectations although some optimism arose within sales expectations. New buyer inquiries were flat while the negative readings for new instructions and agreed sales indicated waning demand following the end of the government's stamp duty waiver.

Japan's August industrial production revised lower:

- Japan's industrial production was revised lower to reflect a larger decline of 3.6% m/m in August, from the preliminary estimate of -3.2% m/m. This followed a 1.5% decrease in output in July as the State of Emergency measures remained in place in most parts of the country. The sharper m/m fall led the y/y industrial production growth to ease to 8.8% (Aug: +11.6%).

Diverging CPI and PPI trend in China post risk to profit margins:

- The divergence in China's producer and consumer inflations extended into September, posting downside risks to firms' profit margins. This also reflects businesses' reluctance to pass the higher costs to consumers amid weakening domestic demand. PPI inflation surged to a 26-year high of 10.7% y/y (Aug: +9.5%), boosted by higher commodity prices and the general increase in raw material costs throughout the world plagued by supply chain bottlenecks.
- CPI inflation, in contrast, slowed for the fourth consecutive month to 0.7% y/y (Aug: +0.8%) with the y/y decline in food prices weighing on the headline index. The prices of pork continued to fall compared to last year when the swine flu boosted the prices of China's main choice of poultry.

Restrictions hindered job search in Australia as jobless rate rose slightly:

- Australia's latest job report was a mixed bag. The economy recorded total job losses of 138k in September (Aug: -146.3k), driven mainly by the loss in part-time jobs (-165k) amid extended lockdowns to curb the Delta variant. In fact, about 27k full time jobs were created that month. The unemployment rate rose to 4.6%, from 4.5% prior, but better than the consensus expectations for a sharper increase to 4.8%; this was partly attributed to the much lower labour force participation last month, which dropped by 7ppt to 64.5% (from 65.2% prior) as strict restrictions hindered job searching activity.

New Zealand's manufacturing PMI back to expansionary level:

- The BusinessNZ Manufacturing PMI jumped to above-50 in September to signal expansion in the manufacturing activity last month. The latest PMI came in at 51.4, up sharply from 39.7 after the government relaxed Covid-19 restrictions across the country except Auckland. Production remained just a tad below 50.0 but saw marked improvement while employment, new orders and finished stocks are in positive territories.

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
15/10	EZ Trade Balance SA (Aug)	13.4b
	US Empire Manufacturing (Oct)	34.3
	US Retail Sales Advance MoM (Sep)	0.7%
	US Import Price Index MoM (Sep)	-0.3%
	US Retail Sales Ex Auto and Gas (Sep)	2.0%
	US Import Price Index YoY (Sep)	9.0%
	US U. of Mich. Sentiment (Oct P)	72.8
18/10	NZ Performance Services Index (Sep)	35.6
	NZ CPI YoY (3Q)	3.3%
	UK Rightmove House Prices YoY (Oct)	5.8%
	SG Non-oil Domestic Exports YoY (Sep)	2.7%
	CN GDP YoY (3Q)	7.9%
	CN Retail Sales YoY (Sep)	2.5%
	CN Industrial Production YoY (Sep)	5.3%
	CN Fixed Assets Ex Rural YTD YoY (Sep)	8.9%
	US Industrial Production MoM (Sep)	0.4%
	US NAHB Housing Market Index (Oct)	76.0

Source: Bloomberg

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