15 November 2021

Global Markets Research

Daily Market Highlights

15-Nov: US consumer sentiment at 10-year low

US equities broke five-week winning streak

USD strengthened for the third successive week

Gold enjoyed best weekly performance since May

- US stocks rebounded on Friday but ended a five-week gaining streak as the optimism stemming from the upbeat 3Q corporate earnings gave way to renewed inflation concerns last week. On Friday, all three US benchmarks managed to post decent gains of 0.5-1.0% with the NASDAQ being the major gainer. However, on a week-on-week basis, the indexes recorded 0.3 -0.7% losses, pulling back from the recently set record levels.

- Treasury yields traded on a mixed note on Friday and were little changed. The US bond market had resumed trading on Friday after a break on Veterans Day. The yield on the benchmark 10Y UST picked up 1.2bps to 1.56% and was 11bps higher compared to the previous Friday thanks to the selloff earlier of the week.

- The dollar recorded mixed performances on Friday, taking a breather from the rally in the prior session. Commodity linked currencies bounced back, led by the AUD. The dollar index was little changed (-0.05%) at 95.13 but posted its third weekly gain in a row since late October.

- USD/MYR ended Friday's session 0.1% lower at 4.1650 as markets paid no heed to the larger than expected contraction in Malaysia's 3Q GDP. We maintain our neutral-to-slightly bullish outlook for USD/MYR, as the Fed rate hike expectations and cautious market sentiments may still keep USD strength intact. Negative momentum in USD/MYR is also reducing, suggesting likelihood of some upward moves to a potential range of 4.15-4.19 this week.

- Gold outperformed this week, after having strengthened for the seventh consecutive session, marking its best week since May; the bullion benefited from the rising inflation concerns after US CPI rate 30-year high in October. Futures ticked up 0.3% to $1868.5/oz, ending the week with 2.9% w/w gain.

- Crude oil benchmarks fell on Friday, posting their third consecutive weekly losses, pressured by the stronger USD this week. Brent crude edged 0.8% lower to $82.17/barrel while WTI slumped nearly 1.0% to $80.79/barrel.

- The US and Japan will begin talks to ease the steel tariffs imposed by the Trump Administration on the latter, in a bid by the Biden Administration to reset relationships with key allies. In the week ahead, China releases its monthly indicators while Japan and the Eurozone report their third quarter GDP. Key US data include retail sales and industrial production. CPI readings from the Eurozone, UK and Japan are also expected.

US consumer confidence at 10-year low:

- The US consumer sentiment fell to its lowest levels in a decade according to the latest University of Michigan Consumer Sentiment survey. The headline index

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	36,100.31	0.50
S&P 500	4,682.85	0.72
NASDAQ	15,860.96	1.00
Stoxx 600	486.75	0.30
FTSE 100	7,347.91	-0.49
Nikkei 225	29,609.97	1.13
Hang Seng	25,327.97	0.32
Straits Times	3,228.45	-0.30
KLCI 30	1,531.22	0.81
FX		
Dollar Index	95.13	-0.05
EUR/USD	1.1445	-0.05
GBP/USD	1.3414	0.31
USD/JPY	113.89	-0.15
AUD/USD	0.7332	0.52
USD/CNH	6.3800	-0.17
USD/MYR	4.1650	-0.13
USD/SGD	1.3526	-0.12
Commodities		
WTI ($/bbl)	80.79	-0.98
Brent ($/bbl)	82.17	-0.84
Gold ($/oz)	1,868.50	0.25

Source: Bloomberg, HLBB Global Markets Research slipped to 66.8 in November's preliminary reading, from 71.7 in October. The survey cited the slump in confidence to "escalating inflation rate" as well as belief that no policies were crafted to reduce the damage from high inflation.

US job openings slightly lower at 10.4mil; quit rate at record high:

- Job openings in the US remained at sky-high levels in September according to the latest JOLTS report. Openings amounted to 10.44mil in September, slightly down from the newly revised 10.63mil in August. Notably, a record 4.4mil Americans quit their jobs in the same month, compelled by higher pay and better incentives as US firms remained in a hiring streak amid the current economic expansion. The quit rate, a gauge of number of resignations against total employment, also rose to a record high of 3.0% (Aug: 2.9%).

Eurozone industrial production down in September:

- The Eurozone's industrial production fell 0.2% m/m in September, less than the expected decline of 0.5%. This followed a revised 1.7% m/m fall in August. Output was down for the second month in the euro area, albeit by only a marginal rate. The rebounds in production of consumer goods (both durable and non) were offset by the drop in capital goods and intermediate goods. Germany's industrial sector, particularly the vehicle industry, continued to be battered by the supply chain challenges as output fell for the second month by 1.4% m/m (Aug: -3.7%). The October manufacturing PMI for the euro area indicates slower activity in October although the survey still reported fairly strong confidence among manufacturers.

Japan's 3Q GDP down by 0.8% q/q;

- Japan's GDP contracted more than expected in the third quarter, by 0.8% q/q (2Q: +0.4%), compared to the expected decline of 0.2%. The downturn came as the country was hit by new Covid-19 wave during the summer which led to the extension of the National State of Emergency, that in turn weighed on consumer spending. Household consumption subtracted 0.6ppts from the headline growth; investment also contributed negatively by 0.8ppts. Meanwhile, net exports added a small 0.1ppts, reflecting the effect of supply chain constraints on manufacturers and exporters. Compared to the same quarter last year, the economy expanded by 1.4% y/y as the annual rate decelerated from the strong reopening-related growth of 7.6% y/y in the previous quarter.

Hong Kong economy expanded by 5.4% y/y in 3Q:

- The final readings of Hong Kong's GDP growth were unrevised. The city-state's economy expanded by 0.1% q/q in the third quarter of 2021, following the 0.9% q/q contraction in the second quarter. On a y/y basis, GDP expanded by 5.4% in 3Q, slowing from 7.6% in 2Q. The softer momentum reflected the city's strict Covid-19 policy as it aimed towards reopening the border with neighbouring China to allow the inflow of Chinese tourists. In 3Q, investment growth was seen softening substantially (10.8% y/y vs 23.9% y/y) while household spending growth appeared solid (+7.1% y/y vs 7.2%) thanks to the August distribution of government online spending vouchers.

Malaysia's GDP shrank 4.5% y/y in 3Q:

- The Malaysian economy took a sharp turn lower and witnessed a double-dip, contracting 4.5% y/y in 3Q21 (2Q: +16.1% y/y), taking the hit from the reimposition of nationwide containment measures to combat the surging Covid-19 and Delta variants back then. This came in slightly lower than our estimate for a 4.1% y/y contraction, and was much worse compared to consensus estimate for a 2.6% y/y decline. On a q/q basis, economic activities shrank 3.6% in 3Q21 (2Q21: -1.9%), meaning that the Malaysian economy has slipped into a technical recession. The sharp reversal in domestic demand exerted the biggest drag (-3.8ppt) on the overall fall in 3Q GDP growth. Aggravating the decline was the hefty fall in net exports which shaved 3.1ppts off headline growth.

New Zealand's services sector still in contraction:

New Zealand's Performance of Services PMI slipped to 44.6 in October, from 46.5 prior as the services sector activity continued to contract for the third consecutive month amid continuous lockdown in the largest city of Auckland. The latest reading showed contraction in all sub-gauges except employment which was neutral at 50. Some improvement in the PMI is expected in November after the government eased restrictions for the city this month, allowing residents to return to shops and malls for the first time in three months.

House View and Forecasts

FX	This Week	4Q-21	1Q-22	2Q-22	3Q-22
DXY	94-96	94.50	95.00	95.50	96.50
EUR/USD	1.13-1.15	1.15	1.14	1.14	1.13
GBP/USD	1.32-1.35	1.35	1.35	1.34	1.33
AUD/USD	0.72-0.74	0.72	0.71	0.71	0.70
USD/JPY	113-115	112	113	114	115
USD/MYR	4.15-4.19	4.15	4.15	4.15	4.15
USD/SGD	1.35-1.37	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
15/11	CN Retail Sales YoY (Oct)	4.4%
	CN Industrial Production YoY (Oct)	3.1%
	CN Fixed Assets Ex Rural YTD YoY (Oct)	7.3%
	JP Industrial Production MoM (Sep F)	-5.4%
	EZ Trade Balance SA (Sep)	11.1b
	US Empire Manufacturing (Nov)	19.8
16/11	AU RBA Minutes of Nov. Policy Meeting ()	
	UK ILO Unemployment Rate 3Mths (Sep)	4.5%
	UK Employment Change 3M/3M (Sep)	235k
	EZ GDP SA QoQ (3Q P)	2.2%
	US Retail Sales Advance MoM (Oct)	0.7%
	US Import Price Index YoY (Oct)	9.2%
	US Industrial Production MoM (Oct)	-1.3%
	US NAHB Housing Market Index (Nov)	80.0

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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