16 August 2021

Global Markets Research

Daily Market Highlights

16-Aug: US consumer confidence near decade-low

S&P 500, Dow Jones rose to fresh highs on Friday

Treasury yields, dollar dipped on deteriorating US consumer sentiment

China's monthly data in focus today

- The S&P 500 (+0.04%) and Dow Jones (+0.2%) rose marginally on Friday although still to record high levels as positive sentiments surrounding strong US corporate earnings, particularly that of Walt Disney, were limited by a report showing deteriorating consumer sentiment. The tech-heavy NASDAQ index (+0.04%) also registered a tiny gain. Last week marked the S&P 500 and Dow's second consecutive weekly gains while NASDAQ was little changed compared to the Friday before. Entertainment giant Walt Disney reported a robust recovery for its theme park business as well as gains in its streaming services Disney+, prompting its shares to rally 1% on Friday.

- Treasury yields fell on Friday after the University of Michigan Consumer Sentiment Index fell, indicating "a stunning loss of confidence in the first half of August" amid the pandemic resurgence. The yield on 10Y UST plummeted by a whopping 8.2bps to 1.28%.

- The dollar index slumped alongside the plunge in yields, recording a loss of 0.6% on Friday to 92.52 and bringing the week to a negative end (-0.3%). The USD weakened against all G10 currencies with the safe havens CHF and JPY being the leaders of the day.

- USD/MYR rose 0.1% to 4.2375 on Friday after Malaysia reported its 2Q GDP result and BNM downgraded full year 2021 growth forecast to 3.0-4.0% (prior 6.0-7.5%). For the week, the pair was up by 0.4%, driven by a firmer USD and to some extent, domestic political headlines. A break of the 4.23 handle has increased bullishness in the pair but momentum indicators look neutral for now. We continue to eye a range of 4.21-4.25 for now, monitoring the local political development. Any break of the 4.25 key resistance will pave the way towards 4.28 next.

- Meanwhile in the commodity market last Friday, gold benefitted from the weakness in the greenback. Gold futures traded 1.5% higher at $1775.2/oz on Friday and closed out the week with a 0.9% gain. Crude oil prices fell after the US agency EIA and OPEC both revised down their assessment for crude oil demand as the spread of the Delta variant clouded outlook.

- China reports its monthly key indicators today while stock futures currently show mixed openings in Hong Kong and Japan.

US consumer sentiment weakened severely in August:

- The preliminary reading of the University of Michigan Consumer Sentiment Index slumped by 11pts to 70.2 in August (Jul: 81.2), a level that was just below the April 2020 low of 71.8. There were only six other such steep month-on-month declines in the index over the past half century, all related to sudden negative changes in the

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	35,515.38	0.04
S&P 500	4,468.00	0.16
NASDAQ	14,822.90	0.04
Stoxx 600	475.83	0.21
FTSE 100	7,218.71	0.35
Nikkei 225	27,977.15	-0.14
Hang Seng	26,391.62	-0.48
Straits Times	3,165.49	-0.54
KLCI 30	1,505.11	0.21
FX		
Dollar Index	92.52	-0.56
EUR/USD	1.1797	0.57
GBP/USD	1.3866	0.42
USD/JPY	109.59	-0.74
AUD/USD	0.7370	0.48
USD/CNH	6.4776	0.00
USD/MYR	4.2375	0.14
USD/SGD	1.3550	-0.21
Commodities		
WTI ($/bbl)	68.44	-0.94
Brent ($/bbl)	70.59	-1.01
Gold ($/oz)	1,775.20	1.50

Source: Bloomberg, HLBB Global Markets Research economy; the nearest one happened just last year during the April Covid-19 lockdown. The survey reported widespread losses in confidence across income, age, and education subgroups as well as regions as consumers saw diminishing economic performance amid the resurgence of the pandemic.

Eurozone's exports fell in June:

- The Eurozone's trade surplus narrowed to €12.4b in June (May: €13.8b), reflecting the 0.8% m/m decline in exports value as imports were little changed. Exports had now fallen for the sixth consecutive month, indicating some weakness in demand for European goods amid a mixed pandemic development across the world.

The UK housing market cooled in August:

- The Rightmove House Price Index fell 0.3% m/m in August (Jul: +0.7%), marking its first month-on-month decline in seven months since January this year; the asking price for properties in the UK now averaged £337.4k. Meanwhile, in the capital London, the average asking price for properties fell for the second month (-1.5% m/m vs -0.8% m/m prior) to £635.6k, as the housing market cooled recently following the expiry of the government stamp duty waiver program. Compared to the same month last year, house prices in the UK are still 5.6% y/y higher in August (Jul: +5.7%).

Japan economy expanded in the second quarter:

- Japan's GDP growth beat estimates at 0.3% q/q in the second quarter, according to a preliminary report, avoiding a double-dip recession. This followed the upwardly revised -0.9% q/q in the first quarter and helped propel the year-on-year growth to 7.5% in 2Q. Growth was driven by private consumption and investment, despite the reimposition of stricter measures to counter the new Covid wave. The government had only relaxed these restrictions in most prefectures in late June. Net exports was a drag on the headline index no thanks to stronger imports in the quarter.

Hong Kong economy sustained two quarters of growth:

- The Hong Kong economy expanded by 7.6% y/y in the second quarter of 2021, following the 8.0% increase in the first quarter as the low number of Covid-19 cases allowed the economy to recover in the first half of 2021. On a quarterly basis, GDP decreased by 0.9% q/q (1Q: +5.5%). Growth was broad-based in 2Q, with a solid increase in consumer spending, investment and exports. Goods exports had been growing for the fourth consecutive quarter, supported by strong overseas demand, particularly China. Similarly, imports of goods had been registering its fourth successive gain, a positive sign for domestic demand.

New Zealand's services PMI indicates solid growth:

- New Zealand's Performance of Services Index slipped to 57.9 in July (Jun: 58.4), but remained at elevated levels as the gauges for sales, employment, new orders and inventories continued to indicate growth. The headline PMI is now above the long-term average of 53.9 for the fourth consecutive month, supported by firm demand. Despite that, the sector still faces supply chain issues with the supplier deliveries index staying below 50 (contraction level).

Malaysia reported first positive GDP reading since pandemic started:

- The Malaysian economy staged a stronger than expected expansion of 16.1% y/y in 2Q21 (1Q: -0.5%), spurred by a hefty rebound in both domestic and external demand. The first positive GDP reading since the start of the pandemic was augmented by the low base in 2Q20. Economic activities however fell 2.0% q/q on a seasonally adjusted basis while monthly GDP showed a contraction of 4.4% y/y in June, a sharp reversal from the double-digit gains in April (+40.1%) and May (+19.8%), taking the hit from stricter movement restrictions nationwide. (Please refer our commentary for further details).

House View and Forecasts

FX	This Week	3Q-21	4Q-21	1Q-22	2Q-22
DXY	91.00-94.00	92.00	91.50	90.00	89.00
EUR/USD	1.16-1.19	1.18	1.19	1.21	1.22
GBP/USD	1.36-1.40	1.40	1.41	1.43	1.45
AUD/USD	0.71-0.74	0.74	0.74	0.76	0.77
USD/JPY	109.00-112.00	109.00	108.00	107.00	105.00
USD/MYR	4.21-4.25	4.23	4.20	4.20	4.15
USD/SGD	1.34-1.37	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	1.50	1.50	1.50	1.50
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
16/08	CN Retail Sales YoY (Jul)	12.1%
	CN Industrial Production YoY (Jul)	8.3%
	CN Fixed Assets Ex Rural YTD YoY (Jul)	12.6%
	CN Surveyed Jobless Rate (Jul)	5.0%
	JP Industrial Production MoM (Jun F)	6.2%
	US Empire Manufacturing (Aug)	43.0
17/08	AU RBA Minutes of Aug. Policy Meeting ()	
	UK ILO Unemployment Rate 3Mths (Jun)	4.8%
	UK Employment Change 3M/3M (Jun)	25k
	EZ Employment QoQ (2Q P)	-0.3%
	EZ GDP SA QoQ (2Q P)	2.0%
	US Retail Sales Advance MoM (Jul)	0.6%
	US Industrial Production MoM (Jul)	0.4%
	US NAHB Housing Market Index (Aug)	80.0

Source: Bloomberg

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