HongLeong Bank

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Global Markets Research

Daily Market Highlights

17-Aug: Risk aversion boosted safe assets

US stocks registered mixed performances

Treasuries, gold and safe haven currencies rose

China's growth momentum weakened in July

- US stock benchmarks saw mixed performances overnight as investors weighed the strong US corporate earnings against the new coronavirus outbreak in the US as well as weaker Chinese growth and the crisis in Afghanistan. The Dow Jones (+0.3%) and S&P 500 (+0.3%) extended gains to reach their respective record levels while NASDAQ slipped 0.2%. Healthcare shares were Monday's major winner while energy shares fell the most as oil prices plunged sharply.

- Risk aversion continued to boost demand for safe assets. Treasury yields fell modestly on Monday after the steep decline in the previous session; the yield on 10Y UST edged lower to 1.27% (-1.2bps). Gold futures rose 0.7% to $1786.9/oz. The dollar largely strengthened against most of its G10 peers except safe havens JPY and CHF. The dollar index picked up 0.1% to 92.63.

- USD/MYR closed on a flat note on Monday at 4.2370 as markets had priced in the resignation of the Malaysian cabinet. 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, monitoring the local political development. Any break of the 4.25 key resistance will pave the way towards 4.28 next.

- Crude oil prices were weighed by the weaker Chinese economic data which had dampened the optimistic outlook; Brent crude slumped 1.5% to $69.51/barrel while the US WTI lost 1.7% to $67.29/barrel.

- Stock futures point higher in Japan as of writing and Hong Kong's market may see a more muted opening. The RBA's August meeting minutes is in focus today, followed by a slew of key data such as the UK job report, Eurozone GDP and US retail sales and industrial productions.

US Empire State manufacturing index retreated in August:

- The New York Fed Empire State Manufacturing Index plummeted to 18.3 in August (Jul: 43.0), a nearly 25-point decline from previous month's record level. The more than expected decline in the regional manufacturing barometer showed that factory activity had cooled this month but the survey's price related indexes indicated that inflation remained at elevated levels.

Japan's June industrial production recovered from previous decline:

- Industrial production in Japan rose 6.5% m/m in June, more than the initially estimated 6.2%. The latest reading showed that output had recovered from the 6.5% decline in the previous month, in concurrence with the lifting of the State of Emergency measures in affected prefectures in late June, ahead of the summer Olympics. The rebound in output also highlights the strong overseas demand, particularly in production of automobiles, machinery, electronic parts and devices.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	35,625.40	0.31
S&P 500	4,479.71	0.26
NASDAQ	14,793.76	-0.20
Stoxx 600	473.45	-0.50
FTSE 100	7,153.98	-0.90
Nikkei 225	27,523.19	-1.62
Hang Seng	26,181.46	-0.80
Straits Times	3,145.52	-0.63
KLCI 30	1,502.90	-0.15
FX		
Dollar Index	92.63	0.12
EUR/USD	1.1778	-0.16
GBP/USD	1.3849	-0.12
USD/JPY	109.24	-0.32
AUD/USD	0.7338	-0.43
USD/CNH	6.4761	-0.02
USD/MYR	4.2370	-0.01
USD/SGD	1.3558	0.06
Commodities		
WTI ($/bbl)	67.29	-1.68
Brent ($/bbl)	69.51	-1.53
Gold ($/oz)	1,786.90	0.66

Source: Bloomberg, HLBB Global Markets Research

China's economic growth slowed in July:

- China's July economic indicators all came in weaker compared to previous month as well as consensus estimates, adding to evidence of a slower growth momentum. In the near-term, Covid-19 outbreaks and resulting disruptions and natural disasters (e.g., floods in July) have pulled back the recovery momentum. Industrial production rose 6.4% y/y, slowing down from the 8.3% y/y growth prior. Retail sales rose a mere 8.5% y/y, versus 12.1% y/y in the previous month. The year-to-date fixed asset investment increased 12.7% y/y (prior: +15.0% y/y).

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
17/08	AU RBA Minutes of Aug. Policy Meeting (Aug)	
	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
18/08	JP Exports YoY (Jul)	48.6%
	JP Core Machine Orders MoM (Jun)	7.8%
	AU Westpac Leading Index MoM (Jul)	-0.07%
	AU Wage Price Index YoY (2Q)	1.5%
	NZ RBNZ Official Cash Rate (18 Aug)	0.25%
	UK CPI YoY (Jul)	2.5%
	EZ CPI YoY (Jul F)	1.9%
	US MBA Mortgage Applications (13 Aug)	2.8%
	US Building Permits MoM (Jul)	-5.3%
	US Housing Starts MoM (Jul)	6.3%

Source: Bloomberg

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