

**Global Markets Research**
**Daily Market Highlights**

# 17-Sep: US retail sales smashed expectations

## US yields boosted by stellar August retail sales data

## Dollar strengthened against all G10 currencies

## Australia reported job losses amid extended lockdowns

- Stock benchmarks in the US registered mixed closings at the end of Thursday's session while treasury yields surged as investors weighed the stellar retail sales data against the broad economic slowdown related to the Delta variant. The Dow Jones and S&P 500 both edged lower by around 0.2% while NASDAQ picked up 0.1%. Earlier, stocks had risen modestly in Europe but sold off in Asia. Shares in Hong Kong and China pulled back sharply on property developer Evergrande's debt concerns and the Chinese government's casino crackdown.
- Treasury yields rose across the curve as the strong retail sales showed resilience in consumer spending and supported the case for a Fed tapering. The yield on 10Y UST gained nearly 4bps to 1.34%. The dollar strengthened alongside higher yields; USD rose against all G10 currencies and the dollar index ticked up by 0.4% to 92.87 following two flat sessions.
- After strengthening at the early part of the week, USD/MYR made a modest correction (-0.1%) to end at 4.1580 on Wednesday ahead of Thursday's public holiday. The broad USD strength may prompt some gain in the pair to 4.16 levels today amid cautious pre-weekend trading, with resistance at 4.17.
- Gold prices were pressured by the USD gain; futures plummeted by more than 2% to over-one-month-low of \$1754.6/oz. Crude oil prices stabilised from the recent rallies with Brent crude adding 0.2% to \$75.63/barrel and WTI trading on a flat note at \$72.61/barrel.

### Positive retail sales data showed consumer spending resilience in the US:

- Retail sales jumped by 0.7% m/m in August, as opposed to an expected 0.7% decline. The unexpected gain followed a downwardly revised 1.8% fall in July, defying growing expectations among analysts that consumer spending might have pulled back amid the broader economic slowdown as the Delta variant spreads rapidly in the US. At brick-and-mortar stores, sales of furniture, food & beverages, building materials and general merchandise registered more pronounced growth. Meanwhile, the jump in online sales (the sharpest in all categories) alongside the unchanged "eating & drinking" group reflects consumer wariness about the Delta variant.
- In a separate report, initial jobless claims rose by 20k to 332k in the week ending 11 September (prior: 312k), driven by Hurricane Ida as reflected in the higher claims in the state of Louisiana. Meanwhile, the Philadelphia Fed's manufacturing index surged by 11pts to 30.7 in September (Aug:19.4), thanks to the jump in shipments.

### Slowdown in Japanese exports:

- Japan's export growth slowed to 26.2% y/y in August (Jul: 37.0%), reflecting the y/y slowdown in vehicle exports. The data followed the decline in vehicle production in the previous month as Japanese manufacturers faced the challenge of global chip shortages. The resurgence in the pandemic across the world was seen as a main culprit weighing on demand for Japanese goods, as evident in the slowdown in exports to its key trading partners when compared to the same month last year. Notably, export volume to China rose only 5.9% y/y in August, from the double-digit growths in the previous months.

### Key Market Metrics

	Level	d/d (%)
<b>Equities</b>		
Dow Jones	34,751.32	-0.18
S&P 500	4,473.75	-0.16
NASDAQ	15,181.92	0.13
Stoxx 600	465.95	0.44
FTSE 100	7,027.48	0.16
Nikkei 225	30,323.34	-0.62
Hang Seng	24,667.85	-1.46
Straits Times	3,064.54	0.19
KLCI 30*	1,555.26	-0.02
<b>FX</b>		
Dollar Index	92.93	0.41
EUR/USD	1.1767	-0.42
GBP/USD	1.3795	-0.33
USD/JPY	109.73	0.32
AUD/USD	0.7292	-0.56
USD/CNH	6.4530	0.41
USD/MYR*	4.1580	-0.12
USD/SGD	1.3449	0.30

### Commodities

WTI (\$/bbl)	72.61	0.00
Brent (\$/bbl)	75.67	0.28
Gold (\$/oz)	1,754.60	-2.12

\*Closing price for 15 September

Source: Bloomberg, HLBB Global Markets Research

#### Australia reported job losses as lockdowns hit economy:

- Multiple extended lockdowns in Australia had led to higher-than-expected job losses in August according to the latest employment data. Total employment fell by 146.3k (Jul: +3.1k) as businesses laid off both full-timers and part-timers last month amid the heightened pandemic uncertainties related to the spread of the Delta variant. Analysts had expected job losses to amount to 80k. This came as previous efforts and goals to swiftly contain the outbreak had failed in Australia and authorities had continued to impose lockdowns in key states such as NSW and Victoria. Unemployment rate fell to 4.5% (Jul: 4.6%) as opposed to the expected increase to 5%, mainly because of the sharp decline in the labour participation rate (65.2% vs 66.0%).

#### New Zealand's GDP expanded before Covid lockdown:

- New Zealand's 2Q GDP growth beat expectations, boosting the case of a RBNZ rate hike next month. GDP expanded by 2.8% q/q (1Q: +1.4%), compared to the forecasted growth of 1.1%. This was driven by the services industry although both the primary and goods producing sectors also contributed to growth. Retail trade and accommodation contributed the most to growth in 2Q. Less pandemic related restrictions in 2Q (most of New Zealand was in "Alert Level 1" in 2Q) helped drive up the overall activity in that quarter. On a y/y basis, GDP grew by 17.4% (1Q: +2.9%). The RBNZ had delayed its intended rate hike in August in the wake of the government's lockdown. Its largest city of Auckland remained in strict lockdown as of writing as authorities strive to stem the Delta variant. Nonetheless, the swap market showed that traders are betting on a rate hike next month by the RBNZ.
- In a separate note, the BusinessNZ Manufacturing PMI plunged to the contractionary territory of 40.1 in August, from 62.2 in July as factory activity was disrupted by the said national lockdown.

#### 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
17/09	SG Non-oil Domestic Exports YoY (Aug)	12.7%
	UK Retail Sales Inc Auto Fuel MoM (Aug)	-2.5%
	EZ CPI YoY (Aug F)	2.2%
	US U. of Mich. Sentiment (Sep P)	70.3
20/09	NZ Performance Services Index (Aug)	57.9
	UK Rightmove House Prices YoY (Sep)	5.6%
	HK CPI Composite YoY (Aug)	3.7%
	US NAHB Housing Market Index (Sep)	75

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](mailto:HLMarkets@hlbb.hongleong.com.my)

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