17 November 2021

Global Markets Research

Daily Market Highlights

17-Nov: Stocks rallied on positive US data

S&P 500, NASDAQ back to record levels

Dollar strength dominates FX market

US retail sales, industrial production signalled recovery is still forthcoming

- US stocks advanced on Tuesday, boosted by the strong set of economic data. The Dow Jones rose 0.2% while the S&P 500 (+0.4%) and NASDAQ (+0.8%) both climbed to record levels after muted trading in the previous session. Consumer discretionary and tech shares outperformed among the S&P 500 sectors after retail sales and industrial production readings beat expectations to show robust economic activity in October.

- Longer-dated treasury yields picked up further and the curves bear-steepened following a hawkish message by St Louis Fed President James Bullard. The yield on 10Y UST was 2.6bps higher at 1.64% at Tuesday's closing. Bullard said in a Bloomberg TV interview that the Fed should accelerate the pace of QE tapering if inflation did not show signs of easing.

- The dollar strength dominated the FX market on Tuesday as the USD was seen closing higher against most G10 currencies except the GBP which had stayed flat. The dollar index registered a solid 0.5% gain.

- USD/MYR finished Tuesday's session 0.1% higher at 4.1670. 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 prices fell amid profit taking activity. Futures shed 0.7% to $1854.1/oz. Oil benchmarks traded on a mixed note; Brent crude edged higher by 0.5% to $82.43/barrel while WTI slipped 0.2% to $80.76/barrel.

Jump in US retail sales highlights consumers' readiness to spend:

- Retail sales in the US beat expectations for the month of October, growing 1.7% m/m compared to the consensus estimates of 1.4%. September's sales were also revised higher to show 0.8% m/m growth. Sales picked up in nearly all categories of goods and services last month; notably positive performances were observed in the vehicle & parts, electronics, building materials and grocery stores as well as gasoline (+3.9% m/m), which was in line with the higher gasoline prices. Online sales outperformed by gaining 4.0% m/m. The retail sales for control group, judged as the core retail sales, rose 1.6% m/m (Sep: +0.5%). The strong October print highlights the fading concerns of the Delta variant and consumer's readiness to spend for the holidays season despite the weakening consumer sentiment and higher inflation.

US industrial production recovered from 3Q slump:

- The US industrial production rebounded by 1.6% m/m in October, from the 1.3% decline in September. The reading beat analysts' expectations (+0.9% m/m). The Federal Reserve, which published the data, said that about half of October's gain

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	36,142.22	0.15
S&P 500	4,700.90	0.39
NASDAQ	15,973.86	0.76
Stoxx 600	489.27	0.17
FTSE 100	7,326.97	-0.34
Nikkei 225	29,808.12	0.11
Hang Seng	25,713.78	1.27
Straits Times	3,238.80	-0.05
KLCI 30	1,522.89	0.04
FX		
Dollar Index	95.92	0.53
EUR/USD	1.1320	-0.42
GBP/USD	1.3430	0.10
USD/JPY	114.82	0.61
AUD/USD	0.7303	-0.60
USD/CNH	6.3903	0.12
USD/MYR	4.1670	0.13
USD/SGD	1.3569	0.27
Commodities		
WTI ($/bbl)	80.76	-0.15
Brent ($/bbl)	82.43	0.46
Gold ($/oz)	1,854.10	-0.67

Source: Bloomberg, HLBB Global Markets Research reflected a recovery from the effects of Hurricane Ida. Manufacturing output rose 1.2% m/m, after falling for two consecutive months, attributed to the large gain in productions of motor vehicles & parts. Mining output rose 4.1% m/m and utilities picked up 1.2% m/m as the weather turned colder.

US homebuilder sentiment at 6-month high:

- Homebuilder sentiment in the US strengthened to a six-month high in November, as reflected in the 3-point increase in the NAHB Housing Market Index, from 80 to 83. The latest survey marked the index's third consecutive climb and showed that housing developers turned more optimistic over the present sales of single-family units as well as the prospective buyers' traffic, supported by the robust housing demand in the US against a backdrop of low interest rates.

US import prices surged in October:

- Import price index jumped 1.2% m/m in October, a marked acceleration from the 0.4% rate in September, reflecting the impact of the global supply chain constraints of costs of goods & services purchased from overseas. Prices of petroleum jumped the most last month, increasing by a whopping 8.1% m/m (Sep: +3.8%) while the cost of industrial supplies also picked up tremendously by 4.0% m/m (Sep: +1.1%). Y/y, import price inflation advanced to 10.7% (Sep: +9.3%). This was in line with the surge in US CPI inflation to 30-year high (+6.2% y/y) in the same month.

Eurozone's GDP growth unrevised at 2.2% q/q:

- The euro area economy continued to recover in the third quarter as governments loosened restrictions following the jump in vaccination rates during that period. The Eurozone's third quarter GDP growth was unrevised at 2.2% q/q in the second estimate; this followed a 2.1% q/q growth in the second quarter. On a y/y basis, GDP expanded by 3.7%, slowing from the 14.2% rate in the second quarter.
- Meanwhile, employment rose by 0.9% q/q in the third quarter (2Q: +0.7%), translating to a 2.0% y/y gain (2Q: +1.9%). Businesses ramped up hiring in 3Q, adding to signs of firmer consumption outlook in the 4Q ahead of the holiday seasons.

UK job conditions strengthened before furlough scheme ended:

- The UK job data smashed expectations in a month where the government's furlough scheme was set to expire. The economy added 247k jobs in the three months to September, better than the expected increase of 190k. Part-time workers made up the bulk of the increase at 209k while full-timers rose by 39k during that period.
- The unemployment rate slipped to 4.3%, from 4.5% previously and lower than the consensus estimates of 4.4%. A more forward indicator showed that the number of jobless benefits claimants fell by 14.9k in October (Sep: -85.9k), marking its eighth consecutive decline since March. The overall job report painted a picture of a stronger labour market but the underlying conditions remained masked by the furlough scheme (which had been wound down partially at that point) ending on 30 September.

Japan's export growth slowed in October:

- Japan's October export growth came in slightly lower at 9.4% y/y, compared to the 10.3% consensus forecast as supply chain constraints weighed on overseas shipments. This followed a 13.0% y/y gain in exports in September. Imports also rose at a smaller rate when compared to the previous month, by 26.7% y/y (Sep: +38.2%). The trade deficit narrowed to ¥444.7b, from ¥605.5b
- A separate report showed that core machinery orders were unchanged in September instead of a predicted growth, suggesting that the state of emergency measures that remained in place during that month had limited business investment. Analysts had been expecting orders to rebound by 1.5% after the 2.4% m/m decline in August. Y/y, machinery orders were 12.5% higher (Aug: +17.0%).

RBA minutes, Governor Lowe reinforced dovish message:

- The RBA released its 02 November meeting minutes, during which it had maintained the weekly QE pace at A$4b (at least until mid-February 2022) and removed the yield curve control measure that targeted the 3-year Australian government bond yield at 0.1%.
- RBA policy makers agreed that the measure introduced at the onset of the global pandemic had lost its effectiveness as a monetary policy tool as expectations about inflation and future interest rates had begun to shift. They reaffirmed the decision to continue with the QE program at the current rate of purchase as it was appropriate to support the financial conditions that underpin its inflation and unemployment goal. The next review in mid-Feb 2022will be based on the same three considerations namely "the actions of other central banks, how the domestic bond market is functioning, and the actual and expected progress towards the Bank's goals for inflation and unemployment". The minutes also reinforced the central bank's dovish policy stance that it would not raise rates until inflation reaches 2-3% sustainably.
- In a speech at the Australian Business Economists Webinar, RBA Governor Philip Lowe continued to downplay the chance of a rate hike in 2022, stressing that the latest forecasts do not warrant such a move. He said that the economy and inflation would have to turn out very differently for the RBA board to raise rates.

Australia's leading index remained negative, to recover in Nov-Dec:

- The Westpac Leading Index's six-month annualised growth rate stayed negative for the second month at -0.5% (Sep: -0.5%) as Australia's two largest cities remained in lockdown for most of 3Q and into October. The negative contributions came from the falls in Australian dwelling approvals and hours worked. The downturn had likely bottom out as the reopening paved the way for recovery in the remainder of 4Q.

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
17/11	AU Wage Price Index YoY (3Q)	1.7%
	SG Non-oil Domestic Exports YoY (Oct)	12.3%
	UK CPI YoY (Oct)	3.1%
	EZ CPI YoY (Oct F)	3.4%
	US MBA Mortgage Applications (12 Nov)	5.5%
	US Building Permits MoM (Oct)	-7.8%
	US Housing Starts MoM (Oct)	-1.6%
18/11	US Initial Jobless Claims (13 Nov)	267k
	US Philadelphia Fed Business Outlook (Nov)	23.8
	US Leading Index (Oct)	0.2%

Source: Bloomberg

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