

18 October 2021

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

# 18-Oct: Positive corporate earnings boosted sentiments

## Positive corporate earnings spurred further rally in US equities

## Reduced haven demand in US treasuries; USD weakness persisted

## All eyes on China 3Q GDP today

### Increased risk appetite spurred by positive corporate earnings

- It was another risk-on session in US trading last Friday spurred by upbeat corporate earnings. Goldman Sachs 3Q earnings jumped 66% amid robust investment activities. This pushed its share price up 3.8% to a on3-month high, and lifted the Dow to close out the week with its best gain in nearly four months. All the three major US equity benchmarks rose between 0.5-1.1% d/d. European and Asian stock markets rose earlier in their respective trading hours.
- US treasuries came under renewed pressure as investors dumped safe haven government bonds for riskier assets. Concerns over surging oil prices and stagflation appear to be taking a backseat for now. The UST curve shifted higher by 3-8bps, led by the belly and 10Y. Benchmark 10Y note yields rose 6bps to 1.57%, but still off last Monday's high of 1.61%.
- The Dollar Index softened for the 3<sup>rd</sup> straight day on Friday, ended slightly weaker at 93.94 from 93.96 the preceding day, and retreated from the week- high of 94.52. The greenback weakened against the EUR and GBP but strengthened against the JPY.
- USDMYR saw some swings but within a tight daily range of 4.1545-4.1600. The pair last closed 0.08% d/d higher at 4.1575 on Friday. USDMYR outlook is neutral with a bearish tilt in our view, in the absence of any MYR-detrimental drivers and a neutral USD outlook. We eye a range of 4.14-4.17 in this holiday shortened week. Downside likely capped by cautiousness ahead of 2022 Budget tabling on 29 October.
- On the commodity front, gold fell (-1.7% to \$1768.30/oz) amid paring of haven demand but crude oil prices continued to rally amid lingering expectations over supply-demand mismatch. Brent crude rose 1.0% to \$84.86/ barrel while WTI added 1.2% to \$82.28/ barrel.
- Focus will shift to China's 3Q GDP this morning where the China economy is expected to have slowed. This will be followed by RBA meeting minutes tomorrow and the Fed Beige Book before attention turns to October PMI data later in the week.

### US data turned out on the weaker side despite upside surprises in retail sales:

- Retail sales unexpectedly increased 0.7% m/m in September, against expectations for a 0.2% m/m decline. While this offered a tinge of surprise, the growth rate represented a moderation from August's upwardly revised 0.9% m/m increase. Similar trend was observed in ex-auto and ex-auto and gas sales, implying a moderation in overall retail sales as services sales slowed and higher inflation started to bite.
- University Michigan consumer sentiments staged a surprised pullback to 71.4 in October (Sept: 72.8), near its lowest in a decade as consumers' confidence over both current condition and expectations weakened and 1-year inflation expectations rose.

### Key Market Metrics

	Level	d/d (%)
<b>Equities</b>		
Dow Jones	35,294.76	1.09
S&P 500	4,471.37	0.75
NASDAQ	14,897.34	0.50
Stoxx 600	469.39	0.74
FTSE 100	7,234.03	0.37
Nikkei 225	29,068.63	1.81
Hang Seng	25,330.96	1.48
Straits Times	3,173.91	0.29
KLCI 30	1,598.28	0.36
<b>FX</b>		
Dollar Index	93.94	-0.02
EUR/USD	1.1601	0.03
GBP/USD	1.3751	0.57
USD/JPY	114.22	0.48
AUD/USD	0.7421	0.07
USD/CNH	6.4346	-0.02
USD/MYR	4.1575	0.08
USD/SGD	1.3483	-0.04
<b>Commodities</b>		
WTI (\$/bbl)	82.28	1.19
Brent (\$/bbl)	84.86	1.02
Gold (\$/oz)	1,768.30	-1.65

Source: Bloomberg, HLBB Global Markets Research

- Import and export prices showed a diverging trend in September, but both surprised on the downside somewhat taming inflationary concerns. Import prices rebounded albeit less than expected to 0.4% m/m and 9.2% y/y (Aug: -0.3% m/m and +8.9% y/y revised) while export prices unexpectedly tapered off to +0.1% m/m (Aug: +0.4%) and 16.3% y/y (Aug: +16.8%).
- Empire manufacturing weakened more than expected to 19.8 in October (Sept: 34.3), dragged by a sharp decline in new orders (24.3 vs 33.7) and employment (17.1 vs 20.5). This wiped off the better picture seen in six-month outlook (52.0 vs 48.4) and confirmed that near term headwinds on the labour market, supply chain and inflation expectations will continue to weigh on business outlook.

#### Smaller trade surplus in the Eurozone:

- Trade balance unexpectedly narrowed to €11.1bn in the Eurozone in August (Jul: €13.5bn revised). Exports grew at a tiny pace of only 0.3% m/m vs the 1.6% m/m increase in imports. Germany recorded the biggest trade surplus among member countries at €15.0bn whilst Netherlands registered the biggest deficit of €12.1bn.

#### UK average house asking prices quickened in October:

- Rightmove house prices saw average property asking price in the UK stood at £344,445 in October. This marked a quicker growth of 1.8% m/m and 6.5% y/y (Sept: +0.3 m/m and +5.8% y/y), and contrasted with a survey by RICS last week that showed lower price expectations and waning demand following the end of the government's stamp duty waiver.

#### Bigger than expected acceleration in NZ CPI:

- 3Q CPI accelerated more than expected, to 2.2% q/q and 4.9% y/y (2Q: +1.3% q/q and +3.3% y/y). This marked its quickest quarterly gain in almost 11 years and yearly gains in a decade, with the biggest gains seen in fruits/ vegetables and passenger transport while housing saw sustained increase amid a surge in global food and energy prices. The quicker than expected gain in inflation would likely reinforce the case for another rate hike by the RBNZ in November.
- Performance of services index improved to 46.9 in September (Aug: 35.4 revised), but still below 50 threshold indicating a contraction. The improvement was broad-based led by a near 20 points increase in activity/ sales to 45.3 followed by new orders/ business (+15.2pt to 47.5). Tighter Covid-19 restrictions took a toll on services activities and is expected to drag 3Q GDP.

### House View and Forecasts

<b>FX</b>	<b>This Week</b>	<b>4Q-21</b>	<b>1Q-22</b>	<b>2Q-22</b>	<b>3Q-22</b>
DXY	93-95	94.50	95.00	95.50	96.50
EUR/USD	1.15-1.17	1.15	1.14	1.14	1.13
GBP/USD	1.35-1.38	1.35	1.35	1.34	1.33
AUD/USD	0.73-0.75	0.72	0.71	0.71	0.70
USD/JPY	112-115	112	113	114	115
USD/MYR	4.14-4.17	4.15	4.15	4.15	4.15
USD/SGD	1.34-1.36	1.35	1.34	1.33	1.34

  

<b>Policy Rate %</b>	<b>Current</b>	<b>4Q-21</b>	<b>1Q-22</b>	<b>2Q-22</b>	<b>3Q-22</b>
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
18/10	SG Non-oil Domestic Exports YoY (Sep)	2.7%
	CN GDP YoY (3Q)	7.9%
	CN Retail Sales YoY (Sep)	2.5%
	CN Industrial Production YoY (Sep)	5.3%
	CN Fixed Assets Ex Rural YTD YoY (Sep)	8.9%
	US Industrial Production MoM (Sep)	0.4%
	US NAHB Housing Market Index (Oct)	76.0
19/10	AU RBA Minutes of Oct. Policy Meeting ()	
	US Building Permits MoM (Sep)	5.6%
	US Housing Starts MoM (Sep)	3.9%

Source: Bloomberg

### Hong Leong Bank Berhad

Fixed Income & Economic Research,  
Global Markets  
Level 8, Hong Leong Tower  
6, Jalan Damansara  
Bukit Damansara  
50490 Kuala Lumpur  
Tel: 603-2081 1221  
Fax: 603-2081 8936

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

## DISCLAIMER

This report is for information purposes only and does not take into account the investment objectives, financial situation or particular needs of any particular recipient. The information contained herein does not constitute the provision of investment advice and is not intended as an offer or solicitation with respect to the purchase or sale of any of the financial instruments mentioned in this report and will not form the basis or a part of any contract or commitment whatsoever.

The information contained in this publication is derived from data obtained from sources believed by Hong Leong Bank Berhad ("HLBB") to be reliable and in good faith, but no warranties or guarantees, representations are made by HLBB with regard to the accuracy, completeness or suitability of the data. Any opinions expressed reflect the current judgment of the authors of the report and do not necessarily represent the opinion of HLBB or any of the companies within the Hong Leong Bank Group ("HLB Group"). The opinions reflected herein may change without notice and the opinions do not necessarily correspond to the opinions of HLBB. HLBB does not have an obligation to amend, modify or update this report or to otherwise notify a reader or recipient thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

HLB Group, their directors, employees and representatives do not have any responsibility or liability to any person or recipient (whether by reason of negligence, negligent misstatement or otherwise) arising from any statement, opinion or information, expressed or implied, arising out of, contained in or derived from or omission from the reports or matter.

Potential and actual conflict of interest may arise from the activities of HLB Group. HLB Group constitute a diversified financial services group. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, hedging transactions and other activities for their own account or the account of others. In the ordinary course of their business, HLB Group may effect transactions for their own account or for the account of their customers and hold long or short positions in the financial instruments. HLB Group, in connection with its business activities, may possess or acquire material information about the financial instruments. Such activities and information may involve or have an effect on the financial instruments. HLB Group have no obligation to disclose such information about the financial instruments or their activities.

The past performance of financial instruments is not indicative of future results. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Any projections or forecasts mentioned in this report may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information. No assurance can be given that any opinion described herein would yield favorable investment results. Recipients who are not market professional or institutional investor customer of HLBB should seek the advice of their independent financial advisor prior to taking any investment decision based on the recommendations in this report.

HLBB may provide hyperlinks to websites of entities mentioned in this report, however the inclusion of a link does not imply that HLBB endorses, recommends or approves any material on the linked page or accessible from it. Such linked websites are accessed entirely at your own risk. HLBB does not accept responsibility whatsoever for any such material, nor for consequences of its use.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. This report is for the use of the addressees only and may not be redistributed, reproduced or passed on to any other person or published, in part or in whole, for any purpose, without the prior, written consent of HLBB. The manner of distributing this report may be restricted by law or regulation in certain countries. Persons into whose possession this report may come are required to inform themselves about and to observe such restrictions. By accepting this report, a recipient hereof agrees to be bound by the foregoing limitations.