18 November 2021

Global Markets Research

Daily Market Highlights

18-Nov: Stocks ticked lower on inflation concerns

Stocks retreated as Target warned of higher cost pressures

Treasury yields edged lower on weaker housing start data

Inflation surged in the Eurozone and UK

- US stocks retreated on Wednesday, spurred by retailer Target's warning of higher cost pressures that may crimp profits. Major stock benchmarks ended lower, led by the Dow Jones (-0.6%). Shares of card giant Visa (part of Dow Jones) fell 4.7% after Amazon said it would no longer accept payment via Visa card issued in the UK next year, citing high processing fees.

- The S&P 500 and NASDAQ both shed 0.3%. Energy shares suffered the biggest decline. President Biden urged the Federal Trade Commission to investigate whether oil & gas companies are engaging in anti-consumer behaviour by keeping prices of gasoline high.

- Treasury yields fell after US housing start data disappointed. Yields edged lower by 2 to 5bps on Tuesday with the 10Y UST yield seen at 1.59%, 4.5bps lower compared to the previous session. The dollar traded on a mixed note; JPY was the top gainer among the G10 currencies, followed by GBP which was boosted by the 10-year high CPI print. CAD and AUD traded weaker while EUR was unchanged. The dollar index ticked lower (-0.1%) to 95.79 after a two-day win.

- USD/MYR closed 0.3% higher at 4.1800 on Wednesday. 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 rebounded amid mixed USD performances. Futures gained 0.9% to $1870.2/oz. Crude oil sold off on Wednesday on Biden's call to investigate O&G companies; traders also reconsidered the possibility of the US government freeing up some supplies from the Strategic Petroleum Reserve after Biden touched on this topic with Chinese President Xi on Monday. WTI slumped nearly 3.0% to $78.36/barrel while Brent fell 2.7% to $80.21/barrel.

US housing starts fell amid higher costs:

- Housing starts fell 0.7% m/m to a seasonally adjusted annual pace of 1.52mil units in October, missing the consensus forecast of a 1.5% gain. Starts had now fallen for the second month in a row; in September, housing starts dropped 2.7% m/m. Building permits, meanwhile, rose more than expected by 4.0% m/m (Sep: -7.8%). The mismatch showed that developers deferred construction projects as the supply chain bottlenecks delayed the delivery of raw materials while also boosting their costs.
- In a separate note, mortgage applications fell 2.8% w/w last week after the 5.5% gain previously. This was mainly dampened by the lower applications for

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	35,931.05	-0.58
S&P 500	4,688.67	-0.26
NASDAQ	15,921.57	-0.33
Stoxx 600	489.95	0.14
FTSE 100	7,291.20	-0.49
Nikkei 225	29,688.33	-0.40
Hang Seng	25,650.08	-0.25
Straits Times	3,232.68	-0.19
KLCI 30	1,525.13	0.15
FX		
Dollar Index	95.79	-0.13
EUR/USD	1.1319	-0.01
GBP/USD	1.3487	0.42
USD/JPY	114.08	-0.64
AUD/USD	0.7267	-0.49
USD/CNH	6.3753	-0.23
USD/MYR	4.1800	0.31
USD/SGD	1.3557	-0.09
Commodities		
WTI ($/bbl)	78.36	-2.97
Brent ($/bbl)	80.21	-2.69
Gold ($/oz)	1,870.20	0.87

Source: Bloomberg, HLBB Global Markets Research refinancing amid a general increase in interest rates. Applications to buy new homes managed to pick up for the second consecutive week.

Inflation surged in the Eurozone & UK; high energy cost a main culprit:

- The final reading of the Eurozone's HICP inflation for October was unrevised at 4.1% y/y (Sep: +3.4%). The core CPI rate however was revised slightly down to 2.0% y/y, from 2.1% initially (Sep: +1.9%). The rise in energy prices contributed the most (+2.2ppts) to inflation whereas the rest of the components saw more moderate contributions. Compared to the previous month, the consumer prices rose 0.8% m/m, driven by higher energy prices (+5.6% m/m).
- The UK's consumer price inflation jumped to a 10-year high of 4.2% y/y in October, higher than 3.1% in September and the consensus forecast of 3.9%. The core CPI index also picked up substantially by 3.4% y/y, from 2.9% previously. On a monthly basis, CPI rose 1.1% in October, from 0.3% prior, reflecting the sharp increase in energy prices (+7.8% m/m) as well as higher costs of vehicles & parts (+2.1%), transports and recreational services.

Australia's wage growth quickened in 3Q:

- Australia's wage growth accelerated in the third quarter, clocking in a 0.6% q/q rate as expected, driven by nearly all sectors. In the second quarter, wages had risen by 0.4% q/q. Compared to the same quarter last year, wage growth jumped 2.2% y/y (2Q: +1.7%), marking its largest increase since 1Q20, pointing to some normalisation in the trend of wage growth to the pre-pandemic levels. Nonetheless, markets appeared uninspired by the data which may not be sufficient to push inflation sustainably to the RBA's target of 2-3% (the AUD market did not react to the data).

Singapore's NODX rose in October:

- Singapore's non-oil domestic exports rose 4.2% m/m in October (Sep: +1.0%), exceeding the consensus expectations of a small 0.4% growth. The positive showing reflects a larger than usual increase in petrochemicals shipments, nonetheless pointing to a good start for 4Q growth. On a y/y basis, NODX rose 17.9%, accelerating from the 12.0% gain in the previous month, partially attributed to the negative base effect from last year.

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
18/11	US Initial Jobless Claims (13 Nov)	267k
	US Philadelphia Fed Business Outlook (Nov)	23.8
	US Leading Index (Oct)	0.2%
19/11	US Kansas City Fed Manf. Activity (Nov)	31
	JP Natl CPI Ex Fresh Food YoY (Oct)	0.1%
	UK GfK Consumer Confidence (Nov)	-17
	UK Retail Sales Inc Auto Fuel MoM (Oct)	-0.2%

Source: Bloomberg

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