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Global Markets Research

Daily Market Highlights

19-Nov: Dollar strength faded

S&P 500 & NASDAQ hit record highs; treasury yields mixed

Bank Indonesia, BSP held key rates steady, said low rates support recovery

Japan reported low inflation as prices surged in other major economies

- US stocks traded on a mixed note on Thursday. The Dow Jones closed 0.1% lower while the S&P 500 (+0.3%) and NASDAQ (+0.5%) rebounded to set new record highs, boosted by the rally of consumer discretionary and infotech stocks amid positive retailer earnings. Macy's and Kohl's reported solid third quarter earnings, highlighting strong consumer demand in the US. Meanwhile, the latest initial jobless claims data have remained positive, staying at low levels.
- Treasury yields were mixed on Thursday. Short-term yields stayed flat and longer-dated yields edged lower marginally amid a lack of major drivers. The yield on 10Y UST barely changed (-0.3bps) at 1.59%. Yields had fallen in the previous session after US housing starts were weighed by high construction costs. In the FX market, the dollar continued to record mixed performance against the major currencies. The dollar index was down by 0.3% to 95.54 after the USD weakened against EUR and CHF; CAD and GBP were flat while JPY slipped.
- USD/MYR closed at 4.1820 on Thursday, slightly up (+0.04%) from Wednesday's session. Cautious sentiment and the lack of major market drivers are expected to constrain USD/MYR near the upper range of 4.1700-4.1800 for now, rendering a neutral daily outlook. We maintain the neutral-to-slightly bullish outlook on USD/MYR on a weekly basis as the Fed rate hike expectations and cautious market sentiments may still keep USD strength intact.
- Gold prices fell around 0.5% overnight after a recent rally. Futures last traded at \$1861.4/oz on Thursday. Oil prices rose as investors entered the market for a bargain (oil prices had fallen by 2.6-3.0% in Wednesday's session). WTI climbed to \$79.01/barrel (+0.8%) and Brent crude settled higher at \$81.24/barrel (+1.2%). Reuters reported that China is prepared to release supply from its reserve in a bid to combat supply-demand mismatch. Presidents Biden and Xi discussed the topic during Monday's virtual summit. China's move may prompt further speculations that the US may tap into its Strategic Petroleum Reserve.
- Bank Indonesia kept its seven-day reverse repo rate steady at 3.5% while in the Philippines, the BSP also held the overnight borrowing rate unchanged at 2.0%. Both South East Asian central banks cited the need of low rates to support economic recovery.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	35,870.95	-0.17
S&P 500	4,704.54	0.34
NASDAQ	15,993.71	0.45
Stoxx 600	487.70	-0.46
FTSE 100	7,255.96	-0.48
Nikkei 225	29,598.66	-0.30
Hang Seng	25,319.72	-1.29
Straits Times	3,237.02	0.13
KLCI 30	1,523.79	-0.09
FX		
Dollar Index	95.54	-0.30
EUR/USD	1.1371	0.46
GBP/USD	1.3494	0.05
USD/JPY	114.26	0.16
AUD/USD	0.7277	0.14
USD/CNH	6.3802	0.08
USD/MYR	4.1820	0.04
USD/SGD	1.3563	0.04
Commodities		
WTI (\$/bbl)	79.01	0.83
Brent (\$/bbl)	81.24	1.20
Gold (\$/oz)	1,861.40	-0.47

Source: Bloomberg, HLBB Global Markets Research

US initial jobless claims at 268k:

- Robust hiring activity in the US helped initial jobless claims to stay low last week. The number of claimants for unemployment benefits amounted to 268k, little changed from 269k in the week before. The reading missed the forecast of 260k, but remained at low levels given that demand for labour is high now as the

economy aims to recover from the soft-patch in 3Q. The four-week moving average of initial jobless claims continued to trend lower at 272.75k, from 278.5k prior.

- The Conference Board Leading Index rose 0.9% m/m in October (Sep: +0.1%), indicating positive growth outlook. The steeper gain in October came after a lacklustre September, thanks to lower jobless claims and gain in building permits.
- Regional manufacturing surveys reported mixed results. The Philadelphia Fed manufacturing index surged to 39.0 in November (Oct: 23.8) while the Kansas City Fed index ticked lower to 24.0 (Oct: 31.0). Nonetheless, both readings continued to indicate expansion of manufacturing activity.

UK consumer sentiment turned less negative in November

- UK consumer confidence turned less negative as consumers are prepared to look past Covid and spend more heading into the holiday season. The GfK Consumer Confidence rose to -14 in November, from -17 in October, beating the consensus forecast of -18. The latest survey showed that consumers barely upgraded their personal finances outlook for the year ahead (2 vs 1) but turned less negative on the 12-month growth outlook (-23 vs -26) and the climate to make major purchases (-3 vs -10). The savings intention turned lower (15 vs 22), a positive sign for consumer spending.

Japan's low inflation stood out in era of high prices:

- Japan's inflation held steadily at super low levels in October, highlighting the country's unique inflation trend compared to its developed peers that reported surging prices for months. The CPI ex-fresh food, the Bank of Japan's main inflation gauge rose a mere 0.1% y/y in October (Sep: +0.1%) as gain in utilities prices was offset by fall in prices of clothing & footwear, medical care as well as transportation & communications. On a m/m basis, CPI ex-fresh food fell 0.1% m/m (Sep: +0.1%), reaffirming the absence of price pressure in the economy and the BOJ's likelihood to maintain its ultra-accommodative monetary policy. The BOJ is the only major central bank, currently in no position to tighten or normalise policy as consumer spending remained weak. The lifting of the National State of Emergency may boost spending in the short-term but may not be sufficient to boost inflation to the BOJ's target of 2%.

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
19/11	UK GfK Consumer Confidence (Nov)	-17
	UK Retail Sales Inc Auto Fuel MoM (Oct)	-0.2%
22/11	MA Foreign Reserves (15 Nov)	\$116.1b

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HK CPI Composite YoY (Oct)	1.4%
US Chicago Fed Nat Activity Index (Oct)	-0.13
US Existing Home Sales MoM (Oct)	7.00%
EZ Consumer Confidence (Nov A)	-4.8

Source: Bloomberg

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