20 August 2021

Global Markets Research

Daily Market Highlights

20-Aug: USD bulls dominated

US stocks stabilised after prior selloffs

Crude oils plunged for the sixth consecutive session

Initial jobless claims fell to new pandemic-era low

- US stocks broadly rose overnight, a sign of stabilisation following two sessions of decline. The S&P 500 (+0.1%) and NASDAQ (+0.1%) registered modest gains while the Dow (-0.2%) underperformed. Performances across sectors were mixed as the infotech and real estate shares led the gains; energy shares took a beating as oil prices plunged to three-month lows.

- The 10Y UST yield fell 1.5bps to 1.24% alongside modestly lower long-term yields, despite the seemingly more hawkish FOMC minutes. Yields at the shorter end were flat.

- Persistence USD strength left the dollar index 0.5% higher at 93.57. All G10 currencies weakened against the greenback except JPY. EUR and AUD plunged to fresh 2021 lows. Gold futures were little changed at $1780.2/oz.

- USD/MYR recorded its fourth muted session on Thursday, closing at 4.2380 as markets monitored the local political development. A break of the 4.23 handle has increased bullishness in the pair but momentum indicators look neutral for now. We continue to eye a range of 4.21-4.25, paying attention to the political headlines. Any break of the 4.25 key resistance will pave the way towards 4.28 next.

- Crude oils plunged for the sixth session as the rapid spread of the Delta variant renewed concerns over global economic growth and oil demand. Selling pressures deepened heading into Thursday with Brent crude losing 2.6% to $66.45/barrel, its lowest level since May. WTI was down by 2.7% to $63.69/barrel.

- Bank Indonesia kept its benchmark policy rate unchanged at a record low of 3.5% for the sixth consecutive time even as Fed tapering looms, as it strives to support the Covid stricken economy. Norges Bank left its main rate unchanged at 0% but signalled that a rate hike is most likely to happen during its next decision in September.

US initial jobless claims fell to 348k last week:

- Initial jobless claims fell to a fresh pandemic low of 348k last week (prior: 377k) as hiring activity continued to outpaced layoffs in the US economy. Continuous claims also fell to its lowest level since the pandemic started, amounting to 2.82mil for the week ended 07 Aug (prior: 2.9mil).
- The Philadelphia Fed's Manufacturing Index edged slightly lower to 19.4 in August (Jul: 21.9), still retaining a solid growth picture of the region's manufacturing industry.
- The Conference Board Leading Index rose 0.9% m/m in July (Jun: +0.5%), better than the expected gain of 0.7%, driven by higher stock prices and solid ISM new orders.

Japan's deflation eased in July:

- The fall in Japan's consumer prices eased for the third consecutive month in July as the Bank of Japan's key inflation gauge, namely the CPI ex-fresh food, fell 0.2% y/y in July, compared to -0.5% y/y in June. The rebasing of the CPI index from 2015 to 2020

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	34,894.12	-0.19
S&P 500	4,405.80	0.13
NASDAQ	14,541.79	0.11
Stoxx 600	467.24	-1.51
FTSE 100	7,058.86	-1.54
Nikkei 225	27,281.17	-1.10
Hang Seng	25,316.33	-2.13
Straits Times	3,086.97	-1.42
KLCI 30	1,514.95	-0.67
FX		
Dollar Index	93.57	0.46
EUR/USD	1.1675	-0.31
GBP/USD	1.3639	-0.85
USD/JPY	109.74	-0.03
AUD/USD	0.7147	-1.18
USD/CNH	6.5011	0.25
USD/MYR	4.2378	0.02
USD/SGD	1.3647	0.29
Commodities		
WTI ($/bbl)	63.69	-2.70
Brent ($/bbl)	66.45	-2.61
Gold ($/oz)	1,780.20	-0.08

Source: Bloomberg, HLBB Global Markets Research announced early this month had dragged down the prices for the first six months of 2021 according to Bloomberg. Core CPI may further show improving readings in the coming months on low base effect. Prices had started to fall in August last year.

Hong Kong inflation rose to 3.7% in July:

- Hong Kong's CPI rose 3.7% y/y in July (Jun: +0.7%), matching expectations. The surge in the headline index was largely driven by the favourable base that reflects the distortions of last year's public housing subsidies. The underlying inflation which excludes the impact of these subsidies rose 1.0% y/y (Jun: +0.4%), due to higher cost of local transport fare as well as takeaway food. The MTR cost fares were sold at discounted prices in July last year during the third pandemic wave.

Australia's job market weakened in the wake of lockdowns:

- Australia's unemployment rate fell to 4.6% in July, from 4.9% in June; the decline came despite the regional lockdowns but mainly because of the concurrent fall in participation rate (66% vs 66.2% prior). The economy added 2.2k jobs in July, defying expectations for a 43.1k drop. This followed the 29.1k job gains in June. Part time jobs (+6.4k) drove the growth, partly offset by the 4.2k losses of full-time employment. The latest set of data painted a mixed picture of the labour market which has yet to fully capture the effect of the lockdowns.

House View and Forecasts

FX	This Week	3Q-21	4Q-21	1Q-22	2Q-22
DXY	91.00-94.00	92.00	91.50	90.00	89.00
EUR/USD	1.16-1.19	1.18	1.19	1.21	1.22
GBP/USD	1.36-1.40	1.40	1.41	1.43	1.45
AUD/USD	0.71-0.74	0.74	0.74	0.76	0.77
USD/JPY	109.00-112.00	109.00	108.00	107.00	105.00
USD/MYR	4.21-4.25	4.23	4.20	4.20	4.15
USD/SGD	1.34-1.37	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
20/08	UK Retail Sales Inc Auto Fuel MoM (Jul)	0.5%
	MA Foreign Reserves (13 Aug)	$111.1b
23/08	JP Jibun Bank Japan PMI Composite (Aug P)	48.8
	SG CPI YoY (Jul)	2.4%
	EZ Markit Eurozone Composite PMI (Aug P)	60.2
	UK Markit/CIPS UK Composite PMI (Aug P)	59.2
	US Chicago Fed Nat Activity Index (Jul)	0.09
	US Markit US Composite PMI (Aug P)	59.9
	US Existing Home Sales MoM (Jul)	1.4%
	EZ Consumer Confidence (Aug A)	-4.4

Source: Bloomberg

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