

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

## 20-Sep: Dollar reigned supreme

### US stocks extended downtrend on weak consumer sentiment data

### US yields and dollar rose ahead of FOMC meeting

### UK retail sales declined for four months in a row

- US stocks edged lower on Friday, ending the week on a negative note amid deeper concerns for global growth slowdown. The S&P 500 and NASDAQ plunged by 0.9% while Dow Jones was down by 0.5% on Friday, tracking the selloff in European stock markets earlier. Equities in Hong Kong and China rebounded from the recent losses triggered by authorities' casino crackdown and Evergrande debt crisis. The PBOC had injected 90b yuan (\$14b) of liquidity via the seven-day and 14-day reverse repo into the banking system on Friday in a bid to ease the funding squeeze.
- Treasury yields rose slightly as markets parsed the weak US consumer sentiment data ahead of next week's FOMC meeting. The yield on the benchmark 10Y UST edged higher by 2.4bps to 1.36%. The dollar reigned supreme as risk-off sentiments dominated global markets. The dollar index added 0.3% to 93.20; USD was seen strengthening against all G10 currencies.
- USD/MYR advanced 0.3% to 4.1715 on Friday, marking its first weekly increase in a month as USD strengthened. Looking ahead, the anticipation for a stronger USD next week related to the FOMC meeting may inspire further upside in the pair. We are neutral-to-bullish on USD/MYR, anticipating a weekly range of 4.15-4.19 for now; a break above 4.18 may pave the way for 4.20.
- Gold prices saw some stabilisation on Friday. Gold futures were down by 0.3% to \$17494/oz after the sharper down moves in the two previous sessions; spot price was little changed. Crude oil prices fell on Friday following recently huge gains and on news that Russia planned to boost its crude exports. Brent crude snapped a five-day winning streak to close at \$75.34/barrel (-0.4%) while WTI slid to \$71.97/barrel (-0.9%).
- Central bank meetings are back into the spotlight next week as markets look towards the Federal Reserve's FOMC decision as well as announcements from the BOE and BOJ. On the data front, key releases include the preliminary Markit PMI readings for developed economies (US, Eurozone, UK and Japan) as well as a series of US housing data (housing starts & permit, new & existing home sales). Apart from that, Japan, Hong Kong, Singapore and Malaysia will also report CPI inflation data.

#### US consumer sentiment remained weak in early September:

- Consumer sentiment remained weak in early September according to the preliminary result of the University of Michigan Sentiment survey. The headline index rose slightly to 71.0, from 70.3 prior, but still hovering at near-decade low. Consumers modestly raised their economic expectations but continued to see weaker current conditions. The survey also showed declining buying conditions for household durables, vehicles and homes.

#### Key Market Metrics

	Level	d/d (%)
<b>Equities</b>		
Dow Jones	34,584.88	-0.48
S&P 500	4,432.99	-0.91
NASDAQ	15,043.97	-0.91
Stoxx 600	461.84	-0.88
FTSE 100	6,963.64	-0.91
Nikkei 225	30,500.05	0.58
Hang Seng	24,920.76	1.03
Straits Times	3,071.23	0.22
KLCI 30	1,548.51	-0.43
<b>FX</b>		
Dollar Index	93.20	0.28
EUR/USD	1.1725	-0.36
GBP/USD	1.3741	-0.39
USD/JPY	109.93	0.18
AUD/USD	0.7279	-0.18
USD/CNH	6.4713	0.28
USD/MYR	4.1715	0.32
USD/SGD	1.3485	0.27
<b>Commodities</b>		
WTI (\$/bbl)	71.97	-0.88
Brent (\$/bbl)	75.34	-0.44
Gold (\$/oz)	1,749.40	-0.30

Source: Bloomberg, HLBB Research

#### Eurozone inflation jumped to 3.0% in August:

- The Eurozone's HICP inflation surged to 3.0% y/y in August, from 2.2% y/y in July, partially boosted by the low base in corresponding month last year. Inflation had turned negative starting August 2020 and remained so for five months. August's gain reflected upward contributions from all categories of goods & services with the rise of energy cost being the major driver, contributing 1.44ppts to the headline index; in fact, the cost of energy was 15.4% y/y higher compared to last year. Underlying inflation also ticked up to 1.6% y/y (Jul: +0.7%). On a monthly basis, inflation turned positive to 0.4% m/m (Jul: -0.1%).

#### UK retail growth fell for the fourth consecutive month in August:

- Retail sales in the UK unexpectedly fell by 0.9% m/m in August, as opposed to an expected increase of 0.5%; sales in July were also revised downwards to reflect a larger decline of 2.8% m/m (from -2.5% prior). Retail sales had now fallen by four months in a row since May as the pent-up demand observed in the second quarter eased throughout the third quarter. Shoppers spent less in most categories of products although sales of clothing managed to post a modest gain following months of declines. Sales of auto fuel continued to increase as the amount of travel rose further amid a fully reopened economy. Food store sales fell for the second month as consumers might have shifted their spending on what the Statistic Office called "social spending" such as eating and drinking at restaurants and bars.

#### Singapore's NODX growth slowed in August:

- Singapore's non-oil domestic exports fell 3.6% m/m in August, missing expectations of a 2.4% m/m growth. This marked the second m/m decline as NODX fell 0.9% m/m in the previous month; August's decline translated to a 2.7% y/y gain (Jul: +12.7%), way below the consensus forecast of 8.5% y/y and also its smallest growth in nine months. The sharp decrease in pharmaceutical products, a volatile segment, had weighed on the headline numbers as electronic products continued to sustain double digit gain. Breakdowns also showed that shipments to the European Union (-20%) and China (-17.5%) contracted in August which offset the larger increase in shipments to other key trading partners such as neighbouring Malaysia (+17.9%) and Hong Kong (+22.8%).

#### New Zealand's services activity shrank in August:

- New Zealand's performance of services index plunged to 35.6 in August, from 55.9 in the previous month, as the services activity were down sharply following the imposition of a national lockdown to contain the community transmission of Covid-19. All sub-indexes slumped to below 50, with sales, new orders and supplier deliveries taking severe hits.

### House View and Forecasts

FX	This Week	3Q-21	4Q-21	1Q-22	2Q-22
DXY	92-94	92.00	91.50	90.00	89.00
EUR/USD	1.17-1.20	1.18	1.19	1.21	1.22
GBP/USD	1.36-1.39	1.40	1.41	1.43	1.45
AUD/USD	0.71-0.75	0.74	0.74	0.76	0.77
USD/JPY	109-111	109.00	108.00	107.00	105.00
USD/MYR	4.15-4.19	4.23	4.20	4.20	4.15
USD/SGD	1.33-1.35	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
20/09	NZ Performance Services Index (Aug)	57.9
	UK Rightmove House Prices YoY (Sep)	5.6%
	HK CPI Composite YoY (Aug)	3.7%
21/09	US NAHB Housing Market Index (Sep)	75.0
	AU RBA Minutes of Sep. Policy Meeting	
	JP Machine Tool Orders YoY (Aug F)	86.2%
	US Building Permits MoM (Aug)	2.3%
	US Housing Starts MoM (Aug)	-7.0%

Source: Bloomberg

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