

20 October 2021

## Global Markets Research

### Daily Market Highlights

# 20-Oct: US stocks advanced on positive earnings

**Positive corporate earnings and upbeat guidance spurred further rally in US equities**

**UST curve steepened; USD weakened**

**Attention on EU and UK CPI today**

- Key US stock benchmark indices continued to advance between 0.6-0.7% d/d, spurred by robust corporate earnings and upbeat forward guidance. The S&P500 rose to near record level led by gains in healthcare, utilities, and energy. Consumer discretionary was the only sector ended in the red. European and Asian stock markets also reported gains earlier, as inflationary concerns took a backseat for now.
- US treasuries were sold off amid improving risk sentiments. 10Y UST yields rose close to 4bps at 1.64%, back above the psychologically level of 1.60% after a week. The curve steepened as the front end 2Y and 5Y yields shed 1-3bps, while the long end of the curve (30Y) added 5bps.
- The Dollar Index weakened again after the brief recovery on Monday, falling 0.2% d/d to 93.73. The greenback weakened against all the majors except the small gains against the JPY. Commodity currencies like eh AUD and NZD led gains by rising close to 1.0%.
- USDMYR last closed 0.3% d/d higher at 4.1695 on Monday. USDMYR outlook remains neutral to slightly bearish in our view, in the absence of any MYR-detrimental drivers and a increasing negative momentum in the USD. We continue to 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 rose 0.3% to \$1770.50/oz amid a pick-up in risk appetite. Crude oil prices also extended gains on the back of ongoing concerns over supply constraints. Brent crude rose 0.9% to a 7-year high of \$85.08/ barrel while WTI added 0.6% to \$82.96/ barrel, its highest since Jun-15.
- Today, futures pointed to higher opening in Asian stocks tracking overnight gains in US equities. Focus will shift to the PBoC loan prime rate, Fed Beige Book and UK and Eurozone CPI today.

#### Key Market Metrics

	Level	d/d (%)
<b>Equities</b>		
Dow Jones	35,457.31	0.56
S&P 500	4,519.63	0.74
NASDAQ	15,129.09	0.71
Stoxx 600	468.58	0.33
FTSE 100	7,217.53	0.19
Nikkei 225	29,215.52	0.65
Hang Seng	25,787.21	1.49
Straits Times	3,199.01	0.79
KLCI 30	1,605.97	0.48
<b>FX</b>		
Dollar Index	93.73	-0.23
EUR/USD	1.1633	0.20
GBP/USD	1.3797	0.52
USD/JPY	114.38	0.05
AUD/USD	0.7474	0.85
USD/CNH	6.3763	-0.80
USD/MYR	4.1695	0.29
USD/SGD	1.3450	-0.32
<b>Commodities</b>		
WTI (\$/bbl)	82.96	0.63
Brent (\$/bbl)	85.08	0.89
Gold (\$/oz)	1,770.50	0.27

*Note: KLCI and USDMYR close as at 18 Oct  
Source: Bloomberg, HLBB Global Markets Research*

#### RBA minutes reaffirmed the central bank's accommodative stance:

- Minutes of the latest RBA meeting showed that policy makers were maintaining their pledge for keeping interest rates unchanged to achieve a return to full employment until the CPI is stable within the 2.0-3.0% target band. CPI reading accelerated to 3.9% y/y in 2Q, and the RBA's central scenario showed that this condition will not be met before 2024. RBA acknowledged that the outbreak of the delta variant had interrupted the recovery of the Australian economy but the economy is expected to rebound thanks to rising vaccination rate and easing restrictions. The RBA assessed that the economy would return to growth in the final quarter of 2021 and to its pre-Delta path in the second half of 2022.

- Australia Westpac leading index saw a marginal slip of only 0.02% m/m in September (Aug: -0.27% m/m). This marked its 4<sup>th</sup> consecutive month of declines while the 6-month annualized growth contracted for the first time in a year (Sept: -0.48% vs +0.49% m/m), and were signs of weakening growth momentum in the next 6-9 months.

#### US housing starts disappointed:

- Housing starts unexpectedly fell 1.6% m/m to 1555k units in September, while August's gain was revised sharply lower from +3.9% to +1.2% m/m. Forward-looking building permits also disappointed by posting a bigger than expected fall of 7.7% m/m, a reversal from the downwardly revised 5.6% m/m increase in August. The latest miss in housing numbers which was mainly dragged by declines in multi-family data reflected the continued challenges caused by supply tightness in both the labour market as well as raw materials.

#### Japan's exports hit by supply bottlenecks:

- Exports growth halved to 13.0% y/y in September (Aug: +26.2% y/y) while imports moderated to 38.6% y/y (Aug: +44.7% y/y). This however still beat consensus estimates of +10.5% and +34.6% y/y respectively. Trade deficit narrowed albeit less than expected to ¥622.8 trillion (Aug: -¥637.2 trillion revised), following the pullback in exports dragged by decline in car exports vis-à-vis a marginal gain in imports m/m. Slower growth in China as well as supply bottlenecks are expected to cloud exports outlook in the near term.

### House View and Forecasts

FX	This Week	4Q-21	1Q-22	2Q-22	3Q-22
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

  

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
20/10	CN 1-Year Loan Prime Rate (20 Oct)	3.85%
	UK CPI YoY (Sep)	3.2%
	EZ CPI YoY (Sep F)	3.0%
	US MBA Mortgage Applications (15 Oct)	0.2%
21/10	US U.S. Federal Reserve Releases Beige Book	
	JP Machine Tool Orders YoY (Sep F)	71.9%
	US Initial Jobless Claims (16 Oct)	--
	US Philadelphia Fed Business Outlook (Oct)	30.7
	US Leading Index (Sep)	0.9%
	US Existing Home Sales MoM (Sep)	-2.0%
	EZ Consumer Confidence (Oct A)	-4.0

Source: Bloomberg

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