

Global Markets Research
Daily Market Highlights

22-Oct: Better than expected initial jobless claims

Mixed stock performances amid inflationary and Evergrande-related concerns

UST curve flattened again; USD regained grounds

Focus shift to PMI readings today

- All the three US benchmark stock indices managed to rebound from early session losses but the Dow still settled the day in minor losses (-0.02%) while S&P500 and NASDAQ closed higher. Strong corporate earnings and better than expected initial jobless claims data helped spur gains in equities. The S&P500 rose 0.3% d/d to a record high led by gains in consumer discretionary and information technology sectors, while record high prices in Netflix and Tesla pushed NASDAQ up by 0.6%. Stocks generally closed in the red in European and Asian markets earlier as Evergrande's default concerns dented risk appetite.
- US treasuries remained under pressure for the fifth consecutive trading session amid lingering inflation concerns, but the curve pivoted at the 5Y sector and flattened again with yields at the front end and the belly rising 7bps while the long bonds saw yields climbing up by 1-3bps. The benchmark 10Y UST yields rose to 1.67%, its highest in five months and pushing near the 1.70% key level. The sale of \$19bn 5Y TIPS was weaker with a BTC of 2.45x (prior 2.67x) at a high yield of -1.685% (prior -1.416%)
- USD finally rebounded after two days of back-to-back losses. The Dollar Index rose 0.2% d/d to 93.77 as the greenback strengthened against all G10s except for haven currencies JPY and CHF.
- USDMYR closed little changed (-0.04%) at 4.1580 on Thursday, on the back of rangetrading in the USD in Asian trading hours. USDMYR outlook is neutral today, as an overnight rebound in the USD and pre-weekend selling will likely exert some pressure on MYR. We maintain a weekly range of 4.14-4.17 going into next week with all eyes on the tabling of 2022 Budget on 29 October.
- On the commodity front, gold pulled back for the first time in three days, down by a marginal 0.2% d/d to \$1781.90/oz. Crude oil prices consolidated after prior day's rally spurred by lower inventories, as forecasts for a mild winter in the US dented demand outlook. Brent crude fell 1.4% to \$84.61/ barrel while WTI lost 1.6% to \$82.50/ barrel.
- Today, futures pointed to yet another mixed opening in Asian markets. Focus will shift to Markit PMI readings in the major economies, UK retail sales and Malaysia CPI where we are expecting an uptick to 2.2%. Fed Chair Powell is also scheduled to speak but we are not expecting any stark deviation from the previous FOMC rhetoric.

Mixed US data again:

- Initial jobless claims for the week ended 16-Oct unexpectedly fell to 290k (prior revised from 293k to 296k), its lowest since Mar-20. Continuing claims also retreated more than expected to 2481k for the week ended 9-Oct (prior 2603k revised), adding to signs of continuous recovery in the labour market.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	35,603.08	-0.02
S&P 500	4,549.78	0.30
NASDAQ	15,215.70	0.62
Stoxx 600	469.71	-0.08
FTSE 100	7,190.30	-0.45
Nikkei 225	28,708.58	-1.87
Hang Seng	26,017.53	-0.45
Straits Times	3,188.50	-0.30
KLCI 30	1,591.62	-0.92
FX		
Dollar Index	93.77	0.23
EUR/USD	1.1623	-0.24
GBP/USD	1.3793	-0.22
USD/JPY	113.99	-0.28
AUD/USD	0.7467	-0.65
USD/CNH	6.3942	-0.01
USD/MYR	4.1580	-0.04
USD/SGD	1.3474	0.28
Commodities		
WTI (\$/bbl)	82.50	-1.63
Brent (\$/bbl)	84.61	-1.41
Gold (\$/oz)	1,781.90	-0.17

Source: Bloomberg, HLBB Global Markets Research

- Existing home sales rebounded more than expected to increase 7.0% m/m in September (Aug: -2.0% m/m). This marked the fastest gain in existing home sales in a year, boosted by continued demand and easing gains in house prices. Properties remained on the market for an average of 17 days, compared to 21 days a year ago, a sign of improving housing market which contradicted with weakening signs in other housing data.
- Forward looking indicators Philly Fed business outlook softened more than expected to 23.8 in October (Sept: 30.7) but the six-month outlook index rose to 24.2 (Sept: 20.0), still hovering at the lows. While orders, shipment and employment indices showed improvement, the increase in delivery time suggests supply chain disruption will remain a drag in the near term.
- Leading indicator also tapered off more than expected to 0.2% m/m in September (Aug: +0.8% m/m revised), its smallest gain in seven months. In line with earlier observation, the biggest contributor came from ISM new orders (+0.23) while the biggest drag came from building permits (-0.23).

Consumer confidence worsened in Eurozone and the UK:

- Consumer confidence in the Euro region deteriorated in October (-4.8 vs -4.0), but still better than the YTD average of -8.2. Rising concerns over elevated inflation's impact on consumer's real purchasing power as well as uncertain growth prospects are likely key dampeners on consumer confidence.
- Mirroring the Eurozone, GfK showed UK consumer confidence waned with the reading falling to -17 in October (Sept: -13). This was the worst reading since Feb-21 as consumers' take on personal finances and economic situation over the last 12 months and next 12 months all deteriorated. Mounting concerns over rising cost of living following the surge in inflation and potential BOE rate hikes, took a toll on consumer confidence, spelling more headwinds on growth prospect going forward.

Japan's CPI turned positive driven by energy prices:

- CPI rose 0.2% y/y as expected in September (Aug: -0.4%), its first positive print since Aug-20 boosted mainly by surging energy prices. Ex-fresh food CPI inched up just a notch to 0.1% y/y while ex-fresh food and energy CPI sustained a 0.5% y/y decline, reaffirming absence of price pressure in the overall system.
- Final reading of machine tool orders showed a 71.9% y/y increase in September, still hefty despite the fourth straight month of moderation since May-2021 (Aug: +85.2% y/y). The moderation comes from both the domestic and foreign front. From the sector perspective, investment into metal products, autos and parts softened but investment into industrial machinery and E&E saw stronger expansion.

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
22/10	JP Jibun Bank Japan PMI Composite (Oct P)	47.9
	MA CPI YoY (Sep)	2.0%
	UK Retail Sales Inc Auto Fuel MoM (Sep)	-0.9%
	EZ Markit Eurozone Composite PMI (Oct P)	56.2
	UK Markit/CIPS UK Composite PMI (Oct P)	54.9
	HK CPI Composite YoY (Sep)	1.6%
25/10	US Markit US Composite PMI (Oct P)	55.0
	SG CPI YoY (Sep)	2.4%
	MA Foreign Reserves (15 Oct)	\$115.2b
	US Chicago Fed Nat Activity Index (Sep)	0.29
	US Dallas Fed Manf. Activity (Oct)	4.6

Source: Bloomberg

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