23 August 2021

Global Markets Research

Daily Market Highlights

23-Aug: UK consumer data weakened

US key stock benchmarks ended last week with losses
UK retail sales registered unexpected decline as consumer sentiment weakened
Jackson Hole Symposium in focus this week

- US stocks closed higher last Friday as investors went into the markets for bargains. The Dow (+0.7%) alongside the S&P 500 (+0.8%) while NASDAQ (+1.2%) outperformed amid a rally in tech shares. Nonetheless for the week, all three indexes closed out the week in the reds, against a backdrop of growing concerns for the spread of the Covid Delta variant and their related global economic impacts as well as the imminent asset tapering by the Federal Reserve.

- Treasury yields rose modestly at the short-to-medium end of the curve while long-term yields were flat. 10Y UST yield rose 1.2bps to 1.26%, and was only 2bps lower compared to the week before. The dollar stabilised after recent rallies. The DXY was little changed at 93.5 on Friday but gained 1.1% over the week.

- USD/MYR traded on a steady note over the week despite escalating political impasse and extended USD strength. The pair held on to the big figure 4.23, leaving MYR only 0.04% weaker against the USD at 4.2390 during Friday's close. Technical indicators currently show a neutral momentum but we still see some overall bullishness in USD/MYR thanks to a broad-based USD strength although the domestic political uncertainties have receded for now. The pair is expected to trade neutral to slightly bullish in a range of 4.22-4.26 in the week ahead. A break of 4.25 would pave the way towards 4.28 next. Support sits at 4.2300-4.2330 levels.

- In the commodity market, gold futures (+0.04%) were steady on Friday at $1781/oz and ended the week with a modest gain (+0.3%). The selloff in crude oils extended to Friday as the Delta variant dampened the outlook for oil consumption; both Brent (-1.9%) and WTI (-2.2%) suffered their seventh consecutive daily declines to close at $65.18/barrel and $62.3/barrel respectively. For the week, Brent was down by 7.7% while WTI shed a whopping 8.9%, their worst week since late October last year.

- The Jackson Hole Symposium (26-28 August), the Federal Reserve's most important annual event, is set to take the center stage this week. Markets look forward to any new signals on the part of the central bank with regards to the perfect timing to taper its asset purchase program. Participants are expected to focus on the broader issue of inequality based on the program theme "Macroeconomic Policy in an Uneven Economy".

UK retail sales unexpectedly fell; consumer sentiment weakened:

- Retail sales fell 2.5% m/m in July, as opposed to a projected 0.2% m/m increase. This followed the downwardly revised growth of 0.2% in June. Sales were down in nearly all categories except at non-specialised stores. Food stores, i.e., restaurants also saw lower sales as the Covid resurgence reduced consumers' frequencies to dine in. Online sales rose modestly after two consecutive months of declines.
- Adding to the woes was the weakening of UK consumer sentiment. The GfK Consumer Confidence Index ticked lower to -8 in August, from -7 in July.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	35,120.08	0.65
S&P 500	4,441.67	0.81
NASDAQ	14,714.66	1.19
Stoxx 600	468.80	0.33
FTSE 100	7,087.90	0.41
Nikkei 225	27,013.25	-0.98
Hang Seng	24,849.72	-1.84
Straits Times	3,102.75	0.51
KLCI 30	1,518.03	0.20
FX		
Dollar Index	93.50	-0.08
EUR/USD	1.1698	0.20
GBP/USD	1.3623	-0.12
USD/JPY	109.78	0.04
AUD/USD	0.7132	-0.21
USD/CNH	6.5002	-0.01
USD/MYR	4.2390	0.03
USD/SGD	1.3623	-0.18
Commodities		
WTI ($/bbl)	62.32	-2.15
Brent ($/bbl)	65.18	-1.91
Gold ($/oz)	1,781.00	0.04

Source: Bloomberg, HLBB Global Markets Research

Consumers downgraded their outlook for the economic situation in the next 12 months and the climate for major purchases also turned negative. The gauge for saving intentions jumped to multi-month high, not a good sign for consumer spending outlook.

Malaysia's foreign reserves edged higher to $111.2b:

- Malaysia's foreign reserves rose to $111.2b as at 13 Aug (Prior: $111.1b). The reserves position is sufficient to finance 7.9 months of retained imports and is 1.2 times total short-term external debt.

House View and Forecasts

FX	This Week	3Q-21	4Q-21	1Q-22	2Q-22
DXY	92-95	92.00	91.50	90.00	89.00
EUR/USD	1.15-1.18	1.18	1.19	1.21	1.22
GBP/USD	1.35-1.38	1.40	1.41	1.43	1.45
AUD/USD	0.70-0.73	0.74	0.74	0.76	0.77
USD/JPY	109-111	109.00	108.00	107.00	105.00
USD/MYR	4.22-4.26	4.23	4.20	4.20	4.15
USD/SGD	1.35-1.38	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	1.50	1.50	1.50	1.50
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
23/08	JP Jibun Bank Japan PMI Composite (Aug P)	48.8
	SG CPI YoY (Jul)	2.40%
	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)	1.40%
	EZ Consumer Confidence (Aug A)	-4.4
24/08	US Richmond Fed Manufact. Index (Aug)	27.0
	US New Home Sales MoM (Jul)	-6.60%

Source: Bloomberg

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