24 August 2021

Global Markets Research

Daily Market Highlights

24-Aug: PMI data weakened in August

US stocks boosted by FDA's full approval of Pfizer vaccine
Flash August PMIs indicated softer growth in developed economies
Crude oil prices jumped over 5% as USD weakened

- US stocks kicked off the week on a positive note after the Food and Drug Administration (FDA) gave full approval for the use of Pfizer and BioNTech's Covid-19 vaccine, an upgrade from last year's emergency approval. The Pentagon i.e., the US Department of Defence announced that it would soon require all its active personnel to take the Pfizer shot. Pfizer's share price rallied by 2.5% following these headlines. All three US benchmarks posted gains, with the NASDAQ (+1.6%) outperforming the Dow (+0.6%) and S&P 500 (+0.9%). Technology and consumer discretionary shares were the biggest winners of the day.
- US treasury yields were steady amid cautiousness ahead of the Federal Reserve's Jackson Hole Symposium (26-28 Aug). 10Y UST last traded at a yield of 1.25% (-0.3bps) in Monday's session. The dollar softened after recent rallies, weakening against all G10 currencies. Commodity currencies strengthened the most, led by the CAD as crude oil prices rebounded sharply.
- USD/MYR fell 0.3% to 4.2260 on Monday after five idle sessions as USD retreated and the domestic political uncertainties receded. Pair may test the 4.22 support today following the broad USD weakening and the resurgence in optimistic sentiment, targeting 4.21 next. Otherwise, it is expected to remain within the 4.22-4.24 range today on the back of cautious sentiment.
- As the USD weakened, gold futures rallied by 1.3% to $1803.20/oz, its highest level in more than two weeks. Crude oil prices jumped over 5%, snapping a seven-session losing streak with remarkable gains and registering their best day since March. Brent crude settled at $68.75/barrel and WTI at $65.64/barrel.

Markit PMIs showed weaker growth in US, UK and Japan; Eurozone's activity grew at solid rates:

- The US private sector expansion slowed considerably in August as capacity constraints limited manufacturing activity while the spread of the Delta variant weighed on the services sector. The flash Markit manufacturing PMI fell to 61.2 (Jul: 63.4) and the services PMI slumped to an eight-month low of 55.2 (Jul: 59.9).
- The Eurozone's economic activity continued to grow at a strong rate in August, reflected in the still solid PMI readings for both manufacturing and services sectors. The services PMI was little changed at 59.7 (Jul: 59.8), supported by the reopening of the economy. The manufacturing gauge slipped to 61.5 in August (Jul: 62.8) but still at historically elevated levels.
- The latest set of UK PMI showed some divergence in the manufacturing and services sectors. Manufacturing PMI remained at a high level of 60.1 in August (Jul: 60.4), indicating robust expansion; the services gauge ticked lower to 55.5 (Jul: 59.6) on staff shortages and weaker demand conditions.
- Japan's manufacturing PMI weakened slightly to 52.4 in August (Jul: 53.0), indicating a slightly softer expansion of factory activities this month as the severe supply chain disruption affected the receipts of input production according to the survey. The services PMI dipped to 43.5 in August (Jul: 47.4), reflecting the further deterioration in private services activity as the State of Emergency measures were still in place to contain the Covid outbreak.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	35,335.71	0.61
S&P 500	4,479.53	0.85
NASDAQ	14,942.65	1.55
Stoxx 600	471.88	0.66
FTSE 100	7,109.02	0.30
Nikkei 225	27,494.24	1.78
Hang Seng	25,109.59	1.05
Straits Times	3,087.56	-0.49
KLCI 30	1,522.43	0.29
FX		
Dollar Index	92.96	-0.58
EUR/USD	1.1745	0.40
GBP/USD	1.3719	0.70
USD/JPY	109.70	-0.07
AUD/USD	0.7209	1.08
USD/CNH	6.4771	-0.36
USD/MYR	4.2260	-0.31
USD/SGD	1.3563	-0.44
Commodities		
WTI ($/bbl)	65.64	5.33
Brent ($/bbl)	68.75	5.48
Gold ($/oz)	1,803.20	1.25

Source: Bloomberg, HLBB Global Markets Research

US existing home sales rose for the second month:

- US existing home sales unexpectedly rose 2.0% m/m in July, following the upwardly revised 1.6% m/m gain in June. Analysts surveyed by Bloomberg had been expecting a modest 0.5% decline in contract closings last month. The second consecutive monthly increase in sales to a four-month high of 5.99 million annualised units reflects the strong underlying demand for housing in the US, although limited inventory had turned potential buyers away for the past in the first five months of the year.
- The Chicago Fed National Activity Index rose to +0.53 in July, from -0.01 in June. The index painted a better picture of the US economy last month as indicators for manufacturing, sales, orders, & inventories as well as employment posted positive changes.

Eurozone's consumer confidence slumped in August:

- Consumer sentiment in the Eurozone weakened this month according to a European Commission's preliminary report. The consumer confidence index slipped to -5.3 in August, from -4.4 in July, as the reopening optimism may have waned this month especially during the rapid spread of the Covid Delta variant across the globe.

Singapore's inflation picked up in July:

- Singapore's core inflation increased to 1% y/y in July, from 0.6% in June. This represents a 0.2% m/m pickup as underlying inflation persisted at a relatively benign rate. The increase was mainly due to higher electricity and gas costs compared to a year ago. Headline inflation (including accommodation and private transport) was at 2.5% y/y in July, from 2.4% in June. This represents a 0.2% m/m decrease, due to temporary S&CC changes in July. Accommodation inflation was slightly up, while private transport inflation came off from elevated levels (base effects). Services inflation weakened to 1.3% y/y (Jun: +1.4%) mainly because of the fall in telecommunication services fees.
- MAS said that core inflation is expected to increase gradually in the coming quarters while the headline CPI should ease in the latter part of the year as the base effects wear out. It maintained its inflation outlook, expecting core inflation to average 0–1% in the whole of 2021 while headline CPI is likely to range within 1–2%. We think that the latest result is in line with MAS tightening in 2022 rather than in October.

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
24/08	US Richmond Fed Manufact. Index (Aug)	27.0
	US New Home Sales MoM (Jul)	-6.6%
25/08	NZ Trade Balance 12 Mth YTD NZD (Jul)	-252m
	MA CPI YoY (Jul)	3.4%
	JP Machine Tool Orders YoY (Jul F)	93.4%
	US MBA Mortgage Applications (20 Aug)	-3.9%
	US Durable Goods Orders (Jul P)	0.9%

Source: Bloomberg

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