25 August 2021

Global Markets Research
Daily Market Highlights

25-Aug: Risk assets advanced

S&P 500, NASDAQ hit record levels alongside higher yields & crude oil prices
US House of Representatives passed $3.5 trillion budget resolution
Commodity currencies strengthened against USD

- US stocks powered on overnight alongside higher yields and commodity prices, driven by the FDA's recent full approval of the Pfizer vaccine as well as strong US corporate earnings. Tuesday's gains led the broader S&P500 (+0.2%) and tech focus NASDAQ (+0.5%) indexes to close at record highs, highlighting the resilience of equities as an asset class despite recent concerns over the spread of the Delta variant. The Dow Jones (+0.1%) underperformed but was not too far (260pts or 0.7%) away from its most recent record level.

- US treasury yields were boosted by the optimistic sentiment ahead of the Federal Reserve's Jackson Hole Symposium on 26-28 Aug. The yield on 10Y UST ticked higher by 4.2bps to 1.29%. The dollar broadly weakened against nearly all G10 currencies, except the CHF. Commodity currencies continued to rally and remained Tuesday's top gainers. DXY slipped less than 0.1% to 92.9.

- USD/MYR closed lower (-0.2%) for the second session at 4.2175 as MYR is riding on the broad USD weakening and the end of political uncertainties on the domestic front. Momentum remained biased towards the downside for the pair, with the rally in commodity prices favouring the MYR. After the 4.22 breach, pair is now targeting 4.21 before moving to key 4.20 support.

- Gold futures picked up modestly (+0.1%) to $1805.6/oz. Brent crude jumped 3.4% to $71.05/barrel; the two-day gain led the international oil benchmark to completely recover from the selloff that lasted more than a week. The US benchmark WTI rose 2.9% to $67.54/barrel.

- The US House Representatives voted alongside party line to approve a $3.5 trillion budget plan that includes President Biden's key infrastructure agendas. Asia's stocks are set to track the rally in the US market as futures are pointing higher as of writing. Focus remains on the Jackson Hole Symposium amid the lack of top-tiered data.

US new home sales rebounded in July:

- US new home sales rose for the first time in four months, alongside the concurrent gain in existing home sales as reported yesterday, suggesting that the underlying housing demand remained solid despite recent weakness that was spurred by limited inventory and higher prices.
- Sales of new homes in the US rose 1% m/m in July, albeit less than the expected gain of 3.1%. Notably, new home sales in June were revised upward sharply to show a smaller decline of 2.6%, compared to the initially estimated fall of 6.6%. The median home price also rose to a record high of $390,500, 18.4% y/y higher compared to just a year ago.

US Richmond Fed manufacturing index softened in August:

- The Richmond Fed's headline manufacturing index slumped 18pts to 9.0 in August (Jul: 27.0) to indicate a much softer expansion in the US Fifth District; the survey

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	35,366.26	0.09
S&P 500	4,486.23	0.15
NASDAQ	15,019.80	0.52
Stoxx 600	471.79	-0.02
FTSE 100	7,125.78	0.24
Nikkei 225	27,732.10	0.87
Hang Seng	25,727.92	2.46
Straits Times	3,107.62	0.65
KLCI 30	1,553.37	2.03
FX		
Dollar Index	92.89	-0.07
EUR/USD	1.1756	0.09
GBP/USD	1.3729	0.07
USD/JPY	109.65	-0.05
AUD/USD	0.7258	0.68
USD/CNH	6.4696	-0.12
USD/MYR	4.2175	-0.20
USD/SGD	1.3543	-0.15
Commodities		
WTI ($/bbl)	67.54	2.89
Brent ($/bbl)	71.05	3.35
Gold ($/oz)	1,805.60	0.13

Source: Bloomberg, HLBB Global Markets Research showed weaker new orders and capacity utilisation as lead time increased and inventories remained low. The struggle to fill vacant positions continued, leading firms to raise wages; the wage index hit a record high. The survey result was consistent with other regional gauges, highlighting the challenges of supply chain constraints and worker shortages faced by manufacturers nationwide.

New Zealand's monthly imports at record high:

- New Zealand's trade balance swung to a deficit of NZD402m in July (Jun: NZD245m) as total imports rose to a record high of NZD6.2b (+7.8% m/m), boosted by the large increases in vehicle and petroleum purchases. Japan was the top trading partner for vehicles, followed by the European Union. Exports were lower at NZD5.75b (-3.4% m/m) where shipments to China and Europe were seen lower.

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	4.21-4.25	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	1.75	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
25/08	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%
26/08	SG Industrial Production YoY (Jul)	27.5%
	HK Exports YoY (Jul)	33.0%
	US Initial Jobless Claims (21 Aug)	348k
	US GDP Annualized QoQ (2Q S)	6.5%
	US Kansas City Fed Manf. Activity (Aug)	30.0

Source: Bloomberg

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