26 August 2021

Global Markets Research

Daily Market Highlights

26-Aug: Risk-on sentiment ahead of Jackson Hole

S&P 500, NASDAQ hit another record high levels

US rates tracked steep gains in global yields

US durable goods orders indicate firm business spending

- US stocks rose further on Wednesday alongside higher treasury yields, supported by the optimism surrounding President Biden's infrastructure bill, the FDA's full approval of the Pfizer vaccine as well as the solid corporate earnings just ahead of the Federal Reserve's Jackson Hole Symposium on 26-28 Aug. This helped drive the S&P 500 (+0.2%) and NASDAQ (+0.2%) to again hit their respective record high levels. The Dow Jones edged up 0.1%, approaching its recent record high in mid-August. Cyclical shares led the gains with banks being Wednesday's major winner.

- US yields ticked higher, tracking the rise in global yields. European yields rose sharply on Wednesday despite the mixed German IFO sentiment readings. 10Y UST last yielded 1.34% (+4.5bps) on Wednesday.

- The weakness in dollar extended to Wednesday's session as the USD weakened in general against most G10 currencies except the JPY and CHF. DXY ticked lower for the fourth consecutive session (0.07%), albeit by only a small magnitude.

- USD/MYR dipped for the third consecutive day, registering a loss of 0.3% at 4.2030. A recent breach of 4.2200 stronghold had paved the way for further bearish moves and there is still room for further decline. Immediate support is at 4.2000 of which a break below the level would lead bears to target 4.1800 next.

- Gold futures snapped a three-day winning streak, selling off by nearly 1% to $1788.20 amid profit taking after the bullion hit a critical $1800 mark at the start of the week. Crude oils rallied further as government data showed a more than expected withdrawal in US crude inventory, a positive sign for consumption. Brent crude (+1.7%) settled at $72.25/barrel and WTI (+1.2%) closed at $68.36/barrel.

Small decline in US durable goods orders:

- Durable goods orders fell 0.1% m/m in July (Jun: +0.8%), less than the expected decline of 0.3%. The small decrease was considered remarkable to analysts considering the fact that orders of civilian aircrafts were down by nearly 50% last month; the sharper increase in vehicles & parts (+5.8% m/m) had played a key role here, partially offsetting the dip in civilian aircrafts.
- Since the reopening of the US economy in May last year, durable goods had only fallen twice (April and July) and at less than 1.0% rates, reflecting the resilience of demand. Excluding transportation, orders rose 0.7% m/m (Jun: +0.6%) while orders of core capital goods were unchanged from previous month, a positive sign that business investment remained solid.

Mortgage applications rose modestly in the US:

- US mortgage applications rose 1.6% w/w last week, rebounding from the 3.9% fall prior. Applications for purchases of homes (+3.0%) rose more than the applications for refinancing (+0.9%). The pick-up in demand for mortgages came as borrowing costs had turned cheaper last week following the recent decline in treasury yields.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	35,405.50	0.11
S&P 500	4,496.19	0.22
NASDAQ	15,041.86	0.15
Stoxx 600	471.84	0.01
FTSE 100	7,150.12	0.34
Nikkei 225	27,724.80	-0.03
Hang Seng	25,693.95	-0.13
Straits Times	3,107.49	0.00
KLCI 30	1,569.80	1.06
FX		
Dollar Index	92.83	-0.07
EUR/USD	1.1772	0.14
GBP/USD	1.3763	0.25
USD/JPY	110.02	0.34
AUD/USD	0.7276	0.25
USD/CNH	6.4701	0.01
USD/MYR	4.2032	-0.34
USD/SGD	1.3528	-0.11
Commodities		
WTI ($/bbl)	68.36	1.21
Brent ($/bbl)	72.25	1.69
Gold ($/oz)	1,788.20	-0.96

Source: Bloomberg, HLBB Global Markets Research

Japan's machinery tool orders rose for second month:

- Japan's machinery tool orders rose 2.2% m/m in July, marking its second consecutive gain albeit comparably slower than June (+6.6% m/m). This highlights the fact that Japanese manufacturing sector continued to outperform the services industry, supported by domestic and overseas demand. Year-on-year, total orders were 93.4% higher as global trade remained disrupted by the pandemic during that period.

Malaysia's inflation eased in July:

- Malaysia's headline CPI inflation moderated more than expected to 2.2% y/y in July (Jun: +3.4%), below ours as well as consensus estimates of 2.8% and 2.9% respectively. The bigger than expected pullback was due to sharper than expected easing in housing & utilities prices, while the softer gain in transport prices was within expectations.
- Core CPI remained stable at 0.7% y/y during the month, and has been little changed between 0.7-0.8% y/y for the past ten months. Services CPI also moderated for a 2nd straight month to 0.7% y/y in July (Jun: +0.8% and May: +0.9%), reaffirming lack of inflationary pressure in the system and our view of transitory inflation where the earlier surge was merely skewed by statistical distortion.
- The downward trajectory in CPI will be here to stay. The reintroduction of electricity discount locally, currently for a three-month period, would also keep a lid on prices. This suggests CPI readings will continue to trend lower to the sub-2.0% levels, potentially bringing full year CPI to below 2.0%, should global oil prices continue to retreat.

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	4.18-4.24	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
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
27/08	NZ ANZ Consumer Confidence Index (Aug)	113.1
	CN Industrial Profits YoY (Jul)	20.0%
	MA Exports YoY (Jul)	27.2%
	US Advance Goods Trade Balance (Jul)	-$91.2b
	US Personal Income (Jul)	0.1%
	US Personal Spending (Jul)	1.0%
	US PCE Core Deflator YoY (Jul)	3.5%
	US U. of Mich. Sentiment (Aug F)	70.2

Source: Bloomberg

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