27 August 2021

Global Markets Research
Daily Market Highlights

27-Aug: Fed hawks urged bond tapering

US stocks retreated from record levels
Dollar rebounded ahead of Jackson Hole Symposium
US 2Q GDP growth revised higher

- US stocks retreated from record levels on Thursday, snapping a five-day winning streak as investors turned cautious just ahead of the Jackson Hole Symposium. The S&P 500 (-0.6%) and NASDAQ (-0.6%) pulled back from Wednesday's all-time high alongside the Dow Jones (-0.5%) as stocks sold off across nearly all sectors, with energy shares being the biggest losers. Stocks had fallen earlier in the European markets but saw mixed performances in Asia Pacific.

- US yields edged up just a little; the yield on 10Y UST rose 1bps to 1.35%. The dollar rebounded as the Afghan crisis deteriorated and several hawkish Fed officials called for bond tapering on the eve of the Jackson Hole retreat. Robert Kaplan said he was in favour of a tapering announcement during the Fed's next September meeting and a process could begin in October. James Bullard said he preferred it to happen "sooner rather than later". Fed Chair Jerome Powell is expected to deliver his speech today at 10pm Malaysian time.

- The dollar strengthened modestly against all G10 currencies with CAD and AUD leading the losses. The dollar index recorded its first gain (+0.3%) since last Thursday. USD/MYR plunged for the fourth consecutive session (-0.2%) to 4.1950 on Thursday. A recent breach of multiple supports has paved the way for further bearish moves but we suspect the market may turn cautious on event risks (Jackson Hole Symposium). Pair may be stabilising within 4.19-4.21 range today.

- On the commodity front, gold futures recovered some recent losses, picking up 0.2% to $1792.2/oz. Oil prices slumped after three positive sessions as investors took profit amid the return of risk-off mood. Brent crude fell 1.6% to $71.07/barrel and WTI lost 1.4% to $67.42/barrel.

US 2Q GDP growth revised higher:

- The US GDP growth in the second quarter was revised higher to 6.6% q/q annualised rate in the second estimate, from 6.5% prior, reflecting the "continued economic recovery, reopening of establishments, and continued government response related to the COVID-19 pandemic" according to the BEA.
- In the first quarter, GDP had expanded by an annualised 6.3% q/q. Growth was driven by personal consumption, non-residential fixed investment, exports as well as state & local government spending that were partly offset by the declines in private inventory investment, residential fixed investment, and federal government spending.

Initial jobless claims rose to 353k:

- The number of new applicants for unemployment insurance came in at 353k last week, a minor increase from the previous week's 349k new claims. The small gains came after four consecutively weekly declines and left the number of new claims near the pandemic-era low. The four-week moving average still showed a downtrend (+366.5k vs 378k prior), as hiring outpaced layoffs with the spread of the Delta variant appearing to show little impact on the US job market recovery.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	35,213.12	-0.54
S&P 500	4,470.00	-0.58
NASDAQ	14,945.81	-0.64
Stoxx 600	470.34	-0.32
FTSE 100	7,124.98	-0.35
Nikkei 225	27,742.29	0.06
Hang Seng	25,415.69	-1.08
Straits Times	3,109.42	0.06
KLCI 30	1,585.74	1.02
FX		
Dollar Index	93.06	0.26
EUR/USD	1.1752	-0.17
GBP/USD	1.3700	-0.46
USD/JPY	110.09	0.06
AUD/USD	0.7237	-0.54
USD/CNH	6.4846	0.22
USD/MYR	4.1952	-0.19
USD/SGD	1.3537	0.07
Commodities		
WTI ($/bbl)	67.42	-1.38
Brent ($/bbl)	71.07	-1.63
Gold ($/oz)	1,792.20	0.22

Source: Bloomberg, HLBB Global Markets Research

Hong Kong's export growth eased in July as Chinese demand softened:

- Hong Kong's exports rose 26.9% y/y in July (Jun: +33.0%), roughly matching the consensus estimates and representing a slowdown in exports compared to the previous month despite a favourably low base. This was driven by a smaller gain in shipments to neighbouring China, highlighting the impact of flood and recent Covid outbreak at the mainland. Import growth also came in weaker at 26.1% y/y (Jun: +31.9%); the trade deficit narrowed to HKD35.0b (Jun: -40.5b).

Singapore's industrial production slowed in July:

- Government data showed that Singapore industrial production growth slowed in July to 16.3% y/y (June: +28%). Excluding the volatile biomedical manufacturing output, industrial production grew 5.8% y/y (June: +25.1%)
- On a month-on-month basis, total output was down by 2.6% m/m, following a 2.6% decline in the previous month. Biomedical manufacturing output jumped by a whopping 86.6& y/y. Electronics output rose modestly (+1.5% y/y) while general manufacturing (+11% y/y), transports engineering (+33.1%) and precision engineering (+20.3%) reported double digit growths.

New Zealand's consumer confidence slumped in August:

- The ANZ Consumer Confidence Index dipped 3.1% m/m to 109.6 in August (Jul: 113.1), marking its second month of decline as consumers turned less optimistic over the current and future conditions against a backdrop of surging prices. Inflation expectations rose to 5.1% (Jul: 4.9%). The index is yet to show the full impact of the nationwide lockdown which was announced on 17 Aug. Sentiment is expected to be further hampered by the latest Covid outbreak in New Zealand which saw the total community cases totalling 210 as of 25 August. The government has imposed a strict level 4 national lockdown to stem the spread of the virus and is expected to extend the restrictions today.

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
27/08	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

Hong Leong Bank Berhad
Fixed Income & Economic Research,
Global Markets
Level 8, Hong Leong Tower
6, Jalan Damanlela
Bukit Damansara
50490 Kuala Lumpur
Tel: 603-2081 1221
Fax: 603-2081 8936
HLMarkets@hlbb.hongleong.com.my

30/08	JP Retail Sales MoM (Jul)	3.1%
	EZ Economic Confidence (Aug)	119.0
	US Pending Home Sales MoM (Jul)	-1.9%
	US Dallas Fed Manf. Activity (Aug)	27.3

Source: Bloomberg