

Global Markets Research
Daily Market Highlights

27-Sep: Focus shifts back to top-tiered data

US stock benchmarks closed higher in an eventful week

Treasury yields & dollar rose on Fed's hawkishness

Focus shifts to data, Evergrande headlines

- US stock edged up slightly higher on Friday, closing out the eventful week with modest gains. The Dow Jones and S&P 500 picked up 0.1% and 0.2% respectively while NASDAQ was virtually unchanged (-0.03%). This followed a selloff in European equities earlier and Asian markets that saw mixed performances. Throughout the week, investors weighed the negative headlines surrounding troubled Chinese property developer Evergrande against the Fed's and BOE's policy meetings that hinted clearly at asset tapering.
- US treasury yields rose on Friday in response to the Federal Reserve's hawkish policy guidance this week. The yield on 10Y UST rose 2.1bps to 1.45%, nearly 9bps higher compared to a week ago. The dollar strengthened against most G10 currencies, alongside the higher yields with the DXY closing 0.3% higher at 93.3. Friday's closing marked the dollar's third weekly consecutive gain.
- Earlier, USD/MYR advanced by 0.2% to 4.1875; the pair registered a 0.4% w/w increase after swinging between gains and losses for the past week. We expect the pair to continue to exhibit a neutral to slightly bullish tilt in the week ahead attempting to breach the key 4.20 psychological handle. Upside will likely be capped by the Upper Bollinger of 4.2075 for now, rendering in a possible range of 4.16-4.20.
- Commodity prices generally rallied on Friday; gold futures picked up 0.1% to \$1749.70/oz. Crude oil benchmarks rose around 0.9-1.1% with Brent oil settling at 78.09/barrel.
- As we place policy meetings behind us, next week's focus will be back on fundamentals with numerous first tier data awaiting. PMIs across the globe as well as US GDP and personal outlay reports are key watches for further assessment on the recovery momentum.

US new home sales rose in August:

- New home sales in the US rose 1.5% m/m in August to a four-month high of 740k units annualised pace, more than the estimated increase of 1.0% m/m. Notably, sales in July were revised higher to 729k units, reflecting a much higher 6.4% m/m increase compared to the initially estimated 1.0% m/m. The median price of new homes remained unchanged at a record high of \$390.9k last month of which 31% of total homes sold were priced at \$500k and above. The latest data reflects some underlying strength in the US housing market although the broader demand is believed to have cooled recently given the continuously tight supply.

Japan's PMI showed weaker manufacturing and continued decline in services activity:

- Japan's Markit manufacturing PMI slipped to 51.2 in September (Aug: 52.7) according to a preliminary report, indicating a marginal improvement in factory conditions. The

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	34,798.00	0.10
S&P 500	4,455.48	0.15
NASDAQ	15,047.70	-0.03
Stoxx 600	463.29	-0.90
FTSE 100	7,051.48	-0.38
Nikkei 225	30,248.81	2.06
Hang Seng	24,192.16	-1.30
Straits Times	3,061.35	-0.49
KLCI 30	1,532.06	-0.47
FX		
Dollar Index	93.33	0.26
EUR/USD	1.1720	-0.16
GBP/USD	1.3679	-0.30
USD/JPY	110.73	0.36
AUD/USD	0.7262	-0.45
USD/CNH	6.4619	-0.01
USD/MYR	4.1875	0.16
USD/SGD	1.3537	0.38
Commodities		
WTI (\$/bbl)	73.98	0.93
Brent (\$/bbl)	78.09	1.09
Gold (\$/oz)	1,749.70	0.11

Source: Bloomberg, HLBB Research

services PMI improved to 47.4 (Aug: 42.9) as the private services activity continued to experience a downturn albeit at a softer rate this month. Despite the generally weak reading, firms in both sectors were confident over the business outlook in the 12 months ahead.

Singapore's industrial production picked up in August:

- Singapore's industrial output rose 5.7% m/m in August, beating the expectations of 3.1% m/m; output in July revised lower to show a slightly steeper decline of 2.8% m/m. On a y/y basis, industrial production rose 11.2% in August (Jul: +16.4%), supported by the production of electronics, precision engineering and transport engineering products. Biomedicals and chemicals were relatively flat.

Malaysia's CPI inflation tapered off to 2% in August:

- Malaysia's headline CPI rate moderated slightly to 2.0% y/y in August (Jul: +2.2%), slightly below ours as well as consensus estimates of 2.1% and 2.2% y/y respectively. Most price categories saw stable to lower inflation, reflected in the softer core CPI of +0.6% y/y, its first move down after holding steady at +0.7% y/y in the last two months. These readings further reinforced our view of subdued inflation in the system, as price pressure caused by supply tightness was cushioned by benign demand amid overall cautious consumer sentiments. Absence of demand-side factors will keep overall inflation well-contained, with our latest CPI projection standing at 2.4% for 2021, within BNM's projected range of 2.0-3.0%. Amid lingering downside risks to growth, we expect growth agenda to take precedence over inflationary outlook in BNM's monetary policy setting, hence the case of a pause in the foreseeable future.

House View and Forecasts

FX	This Week	3Q-21	4Q-21	1Q-22	2Q-22
DXY	92-94	92.00	91.50	90.00	89.00
EUR/USD	1.16-1.18	1.18	1.19	1.21	1.22
GBP/USD	1.36-1.39	1.40	1.41	1.43	1.45
AUD/USD	0.72-0.74	0.74	0.74	0.76	0.77
USD/JPY	109-111	109.00	108.00	107.00	105.00
USD/MYR	4.16-4.20	4.23	4.20	4.20	4.15
USD/SGD	1.34-1.36	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
27/09	US Durable Goods Orders (Aug P)	-0.1%
	US Dallas Fed Manf. Activity (Sep)	9.0
28/09	CN Industrial Profits YoY (Aug)	16.4%
	AU Retail Sales MoM (Aug)	-2.7%
	MA Exports YoY (Aug)	5.0%
	HK Exports YoY (Aug)	26.9%
	US Advance Goods Trade Balance (Aug)	-\$86.4b
	US FHFA House Price Index MoM (Jul)	1.6%
	US S&P CoreLogic CS US HPI YoY NSA (Jul)	18.61%
	US Conf. Board Consumer Confidence (Sep)	113.8
	US Richmond Fed Manufact. Index (Sep)	9.0

Source: Bloomberg

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

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