

28 October 2021

Global Markets Research

Daily Market Highlights

28-Oct: Crude oil prices fell over 2%

US equities weighed by falling energy shares

Longer-dated bond yields tumbled

Bank of Canada unexpectedly ended QE

- US stocks retreated from record highs on Wednesday as the broad-based weakness in equities offset the gain in communication services shares spurred by positive tech earnings. The Dow Jones fell 0.7% from Tuesday's record high alongside the S&P 500 (-0.5%). The tech-focus NASDAQ closed unchanged. Within the S&P 500, energy shares recorded the largest fall (-2.9%), in concurrence with the over-2% decline in crude oil prices.
- This came after the Energy Information Administration (EIA) reported a large 4.3mil barrels build-up in crude inventories last week following a modest 430k barrels draw previously, an indication of weaker demand. The US benchmark WTI settled at \$82.66/barrel while Brent crude at \$84.58/barrel.
- In the bond market, treasuries continued to see mixed performances as short-term yields extended gains while long dated yields plummeted further ahead of multiple central bank decisions this week and next. The yield on 10Y UST shed 6.7bps to 1.54%.
- The dollar generally weakened. The USD was down against most of the G10 currencies overnight except the GBP and NOK. The dollar index slipped 0.2% to 93.80. Gold prices climbed modestly alongside weaker USD; futures advanced 0.3% to \$1797.9/oz.
- USD/MYR recovered 0.2% to close at 4.1545 on Wednesday, breaking a five-day losing streak. We maintain the view that negative momentum has increased for the pair; after hitting 4.1460 recently, 4.1350 will be the next target although we expect cautious and range-bound trading ahead of tomorrow's tabling of the 2022 National Budget. The expected weekly range was unchanged at 4.13-4.17.
- The Bank of Canada maintained its benchmark rate at 0.25% and brought forward its rate hike guidance to mid-2022. It has also ended its quantitative easing program and moved to reinvestment phase as opposed to the expected weekly asset tapering from CAD2b to CAD1b. The BOJ and ECB are set to announce their monetary policy decision today.

US goods trade deficit rose to record high; core capital orders increased:

- Goods trade deficit expanded to a record high of \$96.3b in September (Aug: -\$88.2b) as exports fell sharply by 4.7% m/m while imports picked up modestly by 0.5%. The increase in imports showed continuous strength in US domestic demand, in line with the climb in wholesale inventories (+1.1% m/m). Retail inventories however were down by 0.2% m/m.
- Durable goods orders fell 0.4% m/m in September, less than the expected decline of 1.1%, weighed down by orders of transportation goods. This followed a downwardly revised 1.3% m/m gain in August. Core capital orders beat estimates to rise 0.8%

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	35,490.69	-0.74
S&P 500	4,551.68	-0.51
NASDAQ	15,235.84	0.00
Stoxx 600	474.04	-0.36
FTSE 100	7,253.27	-0.33
Nikkei 225	29,098.24	-0.03
Hang Seng	25,628.74	-1.57
Straits Times	3,218.17	0.42
KLCI 30	1,583.08	-0.07
FX		
Dollar Index	93.80	-0.16
EUR/USD	1.1603	0.06
GBP/USD	1.3745	-0.16
USD/JPY	113.83	-0.29
AUD/USD	0.7517	0.21
USD/CNH	6.3939	0.24
USD/MYR	4.1545	0.20
USD/SGD	1.3484	0.04
Commodities		
WTI (\$/bbl)	82.66	-2.35
Brent (\$/bbl)	84.58	-2.11
Gold (\$/oz)	1,797.90	0.29

Source: Bloomberg, HLBB Global Markets Research

m/m (Aug: +0.5%) while shipments of these goods also rose more than expected (+1.4% m/m vs +0.6% prior), adding to signs of solid growth in business capex.

- The MBA mortgage applications rose 0.3% w/w last week after having fallen by 6.3% previously. The small gain reflects decline in refinancing applications (-1.6%) which offset the rebound in purchases applications (+3.5%)

Japan's retail sales rebounded:

- Japan's retail sales rose more than expected by 2.7% m/m in September (Aug: -4.0%) which translates to a smaller y/y decline of 0.6% (Aug: -3.2%). Sales rebounded last month after suffering a sharp drop in August during which the government expanded its State of Emergency measures to more prefectures. The measures had been fully lifted in October.

China's industrial profit climbed in September, in line with higher PPI:

- China's industrial profits rose 16.3% y/y in September (Aug: +10.1%), in line with the surge in producer price index (+10.7% y/y) in the same month as manufacturers charged higher prices. For the period of Jan-Sep, profits were up by 44.7% compared to the same period last year. The Chinese Bureau of Statistics pointed out the divergence in profits between upstream and downstream industries as the former benefitted from higher commodity prices while the latter struggled with higher input costs.

Australia's core inflation accelerated in 3Q:

- Australia's headline CPI rose steadily by 0.8% q/q in the third quarter (2Q: +0.8%) while the annual rate eased to 3.0% y/y (2Q: +3.8%). The costs of housing, transportation, recreation and household furnishings recorded higher increases compared to the previous quarter. What caught the attention was the acceleration of the trimmed mean CPI to 0.7% q/q (2Q: +0.5%), indicating a surge in underlying inflation in Australia. The y/y rate also jumped to 2.1% (2Q: +1.6%); its largest gain since 2015. Despite the surging core inflation in the previous quarter, RBA is likely to remain committed to its currently accommodative monetary stance, in view of weak wage growth.

New Zealand's business sentiment deteriorated:

- The ANZ Business Confidence slumped to -13.4 in October (Sep: -7.2), down significantly from the preliminary reading of -8.6 earlier of the month. October's print marked the index's fifth negative reading in a row, reflecting a sharp jump in inflation expectations.

House View and Forecasts

FX	This Week	4Q-21	1Q-22	2Q-22	3Q-22
DX	92-95	94.50	95.00	95.50	96.50
EUR/USD	1.15-1.17	1.15	1.14	1.14	1.13
GBP/USD	1.37-1.40	1.35	1.35	1.34	1.33
AUD/USD	0.74-0.76	0.72	0.71	0.71	0.70
USD/JPY	113-116	112	113	114	115
USD/MYR	4.13-4.17	4.15	4.15	4.15	4.15
USD/SGD	1.33-1.36	1.35	1.34	1.33	1.34

Policy Rate %	Current	4Q-21	1Q-22	2Q-22	3Q-22
Fed	0-0.25%	0-0.25%	0-0.25%	0-0.25%	0-0.25%
ECB	-0.50	-0.50	-0.50	-0.50	-0.50
BOE	0.10	0.10	0.10	0.10	0.25
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

Source: HLBB Global Markets Research

Up Next

Date	Events	Prior
28/10	JP BOJ Policy Balance Rate (28 Oct)	-0.1%
	MA Exports YoY (Sep)	18.4%
	EZ Economic Confidence (Oct)	117.8
	EZ ECB Deposit Facility Rate (28 Oct)	-0.5%
	US Initial Jobless Claims (23 Oct)	--
	US GDP Annualized QoQ (3Q A)	6.7%
	US Pending Home Sales MoM (Sep)	8.1%
	US Kansas City Fed Manf. Activity (Oct)	22.0
	NZ ANZ Consumer Confidence Index (Oct)	104.5
	JP Job-To-Applicant Ratio (Sep)	1.14
29/10	JP Jobless Rate (Sep)	2.8%
	JP Industrial Production MoM (Sep P)	-3.6%
	AU Retail Sales MoM (Sep)	-1.7%
	EZ GDP SA QoQ (3Q A)	2.2%
	EZ CPI Estimate YoY (Oct)	3.4%
	US Personal Income (Sep)	0.2%
	US Personal Spending (Sep)	0.8%
	US PCE Core Deflator YoY (Sep)	3.6%
	US MNI Chicago PMI (Oct)	64.7
	US U. of Mich. Sentiment (Oct F)	71.4
	VN Industrial Production YoY (Oct)	4.1%
	VN CPI YoY (Oct)	2.1%
	VN Exports YoY (Oct)	-0.6%
	VN Retail Sales YTD YoY (Oct)	-7.1%

Source: Bloomberg

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