29 September 2021

Global Markets Research
Daily Market Highlights

29-Sep: US stocks tanked on debt ceiling concerns

Debt ceiling impasse triggered stock market selloff
Long-term treasury yields rose on Powell's inflation warning
US consumer confidence fell for the third consecutive month

- The US stock market tanked overnight as deepening concerns over the debt ceiling impasse at Capitol Hill coupled with poor consumer confidence data triggered a sharp selloff of risk assets. The Dow Jones fell 1.6% while the S&P 500 and NASDAQ shed a whopping 2.0% and 2.8% respectively. Among the S&P 500's eleven sectors, tech shares were Tuesday's biggest loser while energy shares managed to defy the trend by posting a 0.5% gain.

- Meanwhile treasury yields climbed again on the same day, with the 10Y UST yield picking up 5bps to 1.54%, its highest level since June. Overall long-term yields rose 5.0 to 9.2bps as Fed Chair Jerome Powell warned of higher inflation in the coming months while he testified alongside Treasury Secretary Janet Yellen before the Senate Banking Committee regarding the government's Covid-19 pandemic response. Yellen warned US lawmakers that the Treasury Department risks running out of "cash and extraordinary measures" by 18 October to meet its commitments if Congress does not act to raise or suspend its debt limit; Senate Republicans had blocked attempts to suspend the borrowing limit early this week.

- The dollar strengthened across the board amid rising yields with the sterling suffering the heaviest losses among the G10 currencies. The dollar index picked up 0.4% to 93.77. USD/MYR continued to trade on a flat note on Tuesday, closing the session little changed at 4.1845. The pair may shift higher today in response to the broad-based strengthening of the USD, attempting to test the 4.20 psychological handle. This is in line with our neutral to slightly bullish outlook for the week. Upside will likely be capped by the Upper Bollinger of 4.2075 for now.

- The stronger USD and higher yields weighed on gold prices where futures were seen down by 0.8% to $1735.9/oz. Similarly crude oil prices fell alongside the selloff of risk assets with Brent crude declining by 0.6% to $79.09/barrel, effectively giving up most of previous day's gains. WTI appeared to be more resilient, recording a modest 0.2% fall to $75.29/barrel.

US consumer confidence weakened in September; goods imports rose:

- The Conference Board's gauge of consumer confidence fell again in September as the spread of the Delta variant continued to weaken US consumer sentiment. The headline index plunged for the third consecutive month to 109.3 (Aug: 115.2) with the present situation and expectations indicators falling by 5.5pts and 6.2pts respectively.
- The US goods trade deficit rose 0.9% m/m to $87.6b in August, reflecting the 0.8% m/m climb in imports which offset the concurrent 0.7% increase in exports. Imports of consumer goods picked up 4.6% m/m alongside the 3.0% gain in purchase of industrial supplies from overseas. This results in higher wholesale inventories (+1.2% m/m) as well as retail inventories excluding motor vehicles (+0.6%m/m) as businesses replenished stocks.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	34,299.99	-1.63
S&P 500	4,352.63	-2.04
NASDAQ	14,546.68	-2.83
Stoxx 600	452.35	-2.18
FTSE 100	7,028.10	-0.50
Nikkei 225	30,183.96	-0.19
Hang Seng	24,500.39	1.20
Straits Times	3,077.69	-0.73
KLCI 30	1,546.82	0.90
FX		
Dollar Index	93.77	0.41
EUR/USD	1.1683	-0.10
GBP/USD	1.3537	-1.18
USD/JPY	111.50	0.45
AUD/USD	0.7236	-0.69
USD/CNH	6.4662	0.13
USD/MYR	4.1845	-0.07
USD/SGD	1.3580	0.34
Commodities		
WTI ($/bbl)	75.29	-0.21
Brent ($/bbl)	79.09	-0.55
Gold ($/oz)	1,735.90	-0.81

Source: Bloomberg, HLBB Global Markets Research

- The S&P Case-Schiller House Price Index registered another record annual gain of 19.7% y/y in July (Jun: +18.7%), as solid housing demand and persistently low supply continued to push up home prices across the US. The separately released FHFA House Price Index meanwhile reported a 1.4% m/m gain in home prices in the same month (Jun: +1.7%).
- The Richmond Fed Manufacturing Index turned negative in September, recording a reading of -3.0, down from 9.0 in August. Factory conditions in the mid-Atlantic region weakened this month as new order volume plummeted substantially while order backlog rose.

China's industrial profit growth decelerated further in August:

- China's industrial profit growth slowed for the fifth consecutive month in August to 10.1% y/y (Jul: +16.4%), reflecting the adverse impacts of higher input cost resulting from the supply chain constraints. For the first eight month of 2021, profits were 49.5% y/y higher compared to the corresponding period in last year. The Chinese statistics bureau attributed the weaker profit to regional Covid outbreaks, high commodity prices and logistic costs as well as shortage of chips.

Hong Kong's international trade rose in August; in line with China:

- Hong Kong's exports rose 25.9% y/y in August, a slightly lower growth rate compared to the previous month (Jul: +26.9%). On a month-on-month basis, import growth accelerated to 4.0% m/m (Jul: +2.5%), marking its fourth consecutive gain.
- Imports rose 28.1% y/y in the same month (Jul: +26.1%), reflecting a pick-up in the m/m growth rate as well (+1.8% m/m vs +1.1% m/m prior). The trade data were consistent with China's robust trade figures in August despite the partial shutdown of a key logistic port on the mainland.

Australia' retail sales fell for the third month:

- Australia's retail sales performance in August was not as poor as initially estimated by analysts. Retail sales fell 1.7% m/m in August (Jul: -2.7%), less than the forecasted decline of 2.5% m/m. Nonetheless, retail sales had now fallen for the third month in a row since June when the Delta variant began to spread in the country that led to multiple regional lockdowns. Sales of household goods, apparels as well as sales at department stores and cafés/restaurants continued to decline last month while food and "other" retailing picked up.

Malaysia's export growth amplified by low base effect:

- Exports growth quickened for the first time in four months, increasing by 18.4% y/y in August helped by a low base in last August. This came in better than both ours (+16.7% y/y) as well as consensus estimate (+14.6% y/y). On the contrary, imports continued to see moderating gains, expanding by only 12.5% y/y during the month, half the pace seen in July amid broad-based easing in all import components. Despite the hefty headline numbers, monthly traction was weak apparently, with exports falling for the second straight month (-1.8% vs -7.7% m/m) while imports reported a 11.2% m/m decline, its first contraction in three months. The bigger decline in imports was however positive for trade balance, with a higher surplus position of RM21.4bn in August, its fourth reading above RM20.0bn this year, and will provide continued support to overall GDP performance.

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
29/09	EZ Economic Confidence (Sep)	117.5
	US MBA Mortgage Applications (24 Sep)	4.9%
	US Pending Home Sales MoM (Aug)	-1.8%
30/09	JP Retail Sales MoM (Aug)	1.0%
	JP Industrial Production MoM (Aug P)	-1.5%
	NZ ANZ Business Confidence (Sep F)	-6.8
	CN Non-manufacturing PMI (Sep)	47.5
	CN Manufacturing PMI (Sep)	50.1
	CN Caixin China PMI Mfg (Sep)	49.2
	UK GDP QoQ (2Q F)	4.8%
	HK Retail Sales Value YoY (Aug)	2.9%
	EZ Unemployment Rate (Aug)	7.6%
	US Initial Jobless Claims (25 Sep)	--
	US GDP Annualized QoQ (2Q T)	6.6%
	US MNI Chicago PMI (Sep)	66.8

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

DISCLAIMER

This report is for information purposes only and does not take into account the investment objectives, financial situation or particular needs of any particular recipient. The information contained herein does not constitute the provision of investment advice and is not intended as an offer or solicitation with respect to the purchase or sale of any of the financial instruments mentioned in this report and will not form the basis or a part of any contract or commitment whatsoever.

The information contained in this publication is derived from data obtained from sources believed by Hong Leong Bank Berhad ("HLBB") to be reliable and in good faith, but no warranties or guarantees, representations are made by HLBB with regard to the accuracy, completeness or suitability of the data. Any opinions expressed reflect the current judgment of the authors of the report and do not necessarily represent the opinion of HLBB or any of the companies within the Hong Leong Bank Group ("HLB Group"). The opinions reflected herein may change without notice and the opinions do not necessarily correspond to the opinions of HLBB. HLBB does not have an obligation to amend, modify or update this report or to otherwise notify a reader or recipient thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

HLB Group, their directors, employees and representatives do not have any responsibility or liability to any person or recipient (whether by reason of negligence, negligent misstatement or otherwise) arising from any statement, opinion or information, expressed or implied, arising out of, contained in or derived from or omission from the reports or matter.

Potential and actual conflict of interest may arise from the activities of HLB Group. HLB Group constitute a diversified financial services group. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, hedging transactions and other activities for their own account or the account of others. In the ordinary course of their business, HLB Group may effect transactions for their own account or for the account of their customers and hold long or short positions in the financial instruments. HLB Group, in connection with its business activities, may possess or acquire material information about the financial instruments. Such activities and information may involve or have an effect on the financial instruments. HLB Group have no obligation to disclose such information about the financial instruments or their activities.

The past performance of financial instruments is not indicative of future results. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Any projections or forecasts mentioned in this report may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information. No assurance can be given that any opinion described herein would yield favorable investment results. Recipients who are not market professional or institutional investor customer of HLBB should seek the advice of their independent financial advisor prior to taking any investment decision based on the recommendations in this report.

HLBB may provide hyperlinks to websites of entities mentioned in this report, however the inclusion of a link does not imply that HLBB endorses, recommends or approves any material on the linked page or accessible from it. Such linked websites are accessed entirely at your own risk. HLBB does not accept responsibility whatsoever for any such material, nor for consequences of its use.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. This report is for the use of the addressees only and may not be redistributed, reproduced or passed on to any other person or published, in part or in whole, for any purpose, without the prior, written consent of HLBB. The manner of distributing this report may be restricted by law or regulation in certain countries. Persons into whose possession this report may come are required to inform themselves about and to observe such restrictions. By accepting this report, a recipient hereof agrees to be bound by the foregoing limitations.