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Global Markets Research

Daily Market Highlights

30-Aug: Powell said tapering could start this year

S&P 500, NASDAQ rose to record highs after Powell's speech

Treasury yields & dollar edged lower

US personal spending growth slowed in July

- US stocks rebounded on Friday to hit record highs after Fed Chair Jerome Powell said that the tapering of the central bank's \$120b per month asset purchase program could begin this year but reassured markets that such move was not indicative of a rate hike soon. The speech was given at the much-anticipated annual Jackson Hole Symposium, and was viewed as dovish, contrary to remarks by some Fed hawks.
- The S&P 500 (+0.9%) and NASDAQ (+1.2%) rallied all-time high levels; the Dow Jones also picked up 0.7%. Friday's gains helped all US benchmarks to close out the week in positive notes, with NASDAQ (+2.8% w/w) being the top performer.
- Treasury yields slipped and the dollar weakened concurrently on Powell's remarks; the yield on 10Y UST fell 4.2bps to 1.31% while the dollar index was down by 0.4% to 92.7. USD weakened against all G10 currencies.
- USD/MYR traded slightly lower (-0.1%) at 4.1910 earlier in the Asian session. For the week, the pair eased by 1.1%, marking the biggest gain in MYR in over a year. The latest sharp move has reinstated bearishness in the pair although we expect some form of stabilisation in a holiday-shortened week ahead. Breaking the 4.20 key support will pave the way towards 4.18 followed by 4.15 next. Upside is capped at 4.22-4.23.
- On the commodity front, gold futures rallied by 1.4% to \$1816.6/oz on Friday as the dollar slumped. Crude oil prices recovered from the sharp selloff in the previous session as firms began to halt production in the Gulf of Mexico ahead of Hurricane Ida. Brent crude jumped 2.3% to \$72.70/barrel and WTI gained 2% to \$68.74/barrel.

US personal spending growth eased in July despite higher income:

- Personal income rose 1.1% m/m in July (Jun: +0.2%), more than the expected gain of 0.3%, reflecting higher pay for employees as well as the increases in government social benefits as family began to receive tax credits worth up to an additional \$1600 per child as part of the \$1.9 trillion pandemic relief program. Wages and salaries jumped 15.3% m/m as the labour shortages prompted firms to raise pays in order to recruit or retain staff.
- Despite the higher income, personal spending rose a mere 0.3% m/m in July, a markedly slower growth compared to June (+1.1%). Consumer spending in durable goods was down sharply (-2.3% m/m) compared to nondurables (-0.4% m/m) while growth in services spending held relatively steady at +1.0% m/m.
- The core PCE inflation eased to 0.4% m/m (Jun: +0.5%) and while the annual rate remained at 3.6% y/y (Jun: +3.6%).

US consumer sentiment collapsed in August:

- A final report confirmed that the University of Michigan consumer sentiment index slumped by 13.4% m/m to 70.3 in August (Jul: 81.2). The index had only recorded

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	35,455.80	0.69
S&P 500	4,509.37	0.88
NASDAQ	15,129.50	1.23
Stoxx 600	472.34	0.43
FTSE 100	7,148.01	0.32
Nikkei 225	27,641.14	-0.36
Hang Seng	25,407.89	-0.03
Straits Times	3,080.77	-0.92
KLCI 30	1,590.16	0.28
FX		
Dollar Index	92.69	-0.40
EUR/USD	1.1795	0.37
GBP/USD	1.3764	0.47
USD/JPY	109.84	-0.23
AUD/USD	0.7312	1.04
USD/CNH	6.4624	-0.34
USD/MYR	4.1910	-0.10
USD/SGD	1.3460	-0.57
Commodities		
WTI (\$/bbl)	68.74	1.96
Brent (\$/bbl)	72.70	2.29
Gold (\$/oz)	1,816.60	1.36

Source: Bloomberg, HLBB Global Markets Research

such steep loss in six other monthly surveys since 1978. The collapse in confidence reflects “surging Delta variant, higher inflation, slower wage growth, and smaller declines in unemployment” as well as an “emotional response” from “dashed hopes that the pandemic would soon end and lives could return to normal”.

China's industrial profit growth slowed in July:

- Industrial profit in China rose 16.4% y/y in July, a slower growth when compared to June (+20.0 y/y), reflecting the impact of floods in the central province of Henan as well as the surge in Covid-19 cases in the country which significantly impacted industrial output. On a month-on-month basis, profits were down by 11.1%, continuing the down trend from June (-4.5% m/m).

Japan's retail sales beat expectations:

- Japan's retail sales rose 1.1% m/m in July, more than the consensus estimate of a small 0.4% gain. This followed a strong 3.1% m/m growth in the previous month when the government relaxed the pandemic restrictions, indicating that spending was not adversely affected despite the surge in Covid cases. Year-on-year, retail sales were up by 2.4% (Jun: +0.1%) thanks to a favourably low base for comparison. The government had on Friday extended the State of Emergency rules that covered 21 prefectures till 12 September.

Australia's retail sales fell for second month:

- Retail sales in Australia fell 2.7% m/m in July (Jun: -1.8%), more than the expected decline of 2.5%. Sales had now fallen for the second consecutive month as spending in the retail sector was hampered by multiple regional lockdowns since June to contain the spread of the Delta variant in Australia. Only the food (+2.3%) and the “other retailing” categories registered gains in July while the rest of the sectors saw sharper declines compared to June.

Further normalisation in Malaysia's exports:

- Malaysia's exports continued to normalize for the third consecutive month in July. At 5.0% y/y, this was the smallest gain in eight months and marked a sharp moderation from the 27.2% y/y increase seen in June, taking the full brunt of the spill over from the nationwide lockdown in the absence of a favourable base effect.
- Imports also recorded slower growth of 24.0% y/y in July (Jun: +32.1%), as a result of sharply lower growth in consumption goods imports as domestic demand slowed. Adding to signs of the weakening momentum, exports fell 7.7% m/m while imports also shed 0.5% m/m, bringing about a lower trade surplus of RM13.7bn (Jun: RM22.2bn).

House View and Forecasts

FX	This Week	3Q-21	4Q-21	1Q-22	2Q-22
DXY	92.90-94.00	92.00	91.50	90.00	89.00
EUR/USD	1.16-1.18	1.18	1.19	1.21	1.22
GBP/USD	1.35-1.38	1.40	1.41	1.43	1.45
AUD/USD	0.73-0.74	0.74	0.74	0.76	0.77
USD/JPY	109.50-110.50	109.00	108.00	107.00	105.00
USD/MYR	4.18-4.23	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
30/08	EZ Economic Confidence (Aug)	119.0
	US Pending Home Sales MoM (Jul)	-1.9%
	US Dallas Fed Manf. Activity (Aug)	27.3
31/08	JP Jobless Rate (Jul)	2.9%
	JP Industrial Production MoM (Jul P)	6.5%
	CN Non-manufacturing PMI (Aug)	53.3
	CN Manufacturing PMI (Aug)	50.4
	NZ ANZ Business Confidence (Aug)	-3.8
	HK Retail Sales Value YoY (Jul)	5.8%
	EZ CPI Estimate YoY (Aug)	2.2%
	US FHFA House Price Index MoM (Jun)	1.7%
	US S&P CoreLogic CS 20-City YoY NSA (Jun)	17.0%
	US MNI Chicago PMI (Aug)	73.4
	US Conf. Board Consumer Confidence (Aug)	129.1

Source: Bloomberg

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