

30 September 2021

Global Markets Research

Daily Market Highlights

30-Sep: Dollar strength dominated FX market

Partial recovery in US stock markets after recent selloff

US yields fell modestly; USD hit one-year high

US Capitol Hill deadlock, China's NBS PMI readings in focus today

- US stocks recouped some losses from the previous session's selloff as some investors entered the market for a bargain. The Dow Jones (+0.3%) and S&P 500 (+0.2%) rose modestly but the tech-heavy NASDAQ index (-0.2%) fell for the fourth consecutive session. Concerns surrounding a potential US government shutdown deepened as US lawmakers are struggling to strike a deal. The House had voted to suspend the debt ceiling but the bill is set to fail when it goes to the Senate. President Biden's bipartisan infrastructure agenda is at risk.
- US treasury yields fell modestly as the recent selling pressure appeared to have cooled. The yield on the benchmark 10Y UST was down by 2.1bps to 1.52%. At an ECB event, Fed Chair Jerome Powell repeated his message that inflation arising from the current supply chain bottlenecks could last longer than previously expected and he described this challenge as being "frustrating".
- The dollar strength persisted into Wednesday's session as USD rose sharply across all the G10 major currencies. Commodity currencies suffered the heaviest losses. The DXY rallied by 0.6% to reach a fresh one-year high at 94.34, marking its sharpest single-day jump since mid-June this year.
- USD/MYR traded on a steady note for the third consecutive session, barely changed at 4.1840. MYR looks to be rather resilient despite the broad USD strengthening and rising risk aversion. Having said that, we maintain the view that the pair may shift higher today, attempting to test the 4.20 psychological handle. This is in line with our neutral to slightly bullish outlook for USD/MYR this week. Upside will likely be capped by the Upper Bollinger of 4.2075 for now.
- USD strength continued to drag down gold and oil prices; futures saw another negative session by settling 0.8% lower at \$1721.5/oz. Oil benchmarks were down by 0.6% on Wednesday, leaving Brent and WTI at \$78.64/barrel and \$74.83/barrel respectively. Stock futures pointed to a mixed start in Asia today; Japan's stock market looks set to open higher this morning as the ruling party elected a new leader, Fumio Kishida to replace incumbent Yoshihide Suga. China's NBS PMIs are slated for a morning release, followed by the UK and US GDP readings.

US pending home sales beat estimates to stage a strong comeback:

- August's pending home sales smashed consensus expectations, recording a sharp 8.1% m/m while July's sales were revised slightly lower to reflect a 2.0% m/m decline. Analysts surveyed by Bloomberg had expected pending home sales, a gauge of existing home sales contract signings, to increase by a mere 1.4% m/m, in view of some cooling in housing demand amid a tight market. August's reading marked pending home sales' first growth in three months as buyers took longer time to search for the right homes; it also suggests that the underlying housing demand remained solid in the US.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	34,390.72	0.26
S&P 500	4,359.46	0.16
NASDAQ	14,512.44	-0.24
Stoxx 600	455.03	0.59
FTSE 100	7,108.16	1.14
Nikkei 225	29,544.29	-2.12
Hang Seng	24,663.50	0.67
Straits Times	3,074.31	-0.11
KLCI 30	1,547.65	0.05
FX		
Dollar Index	94.34	0.61
EUR/USD	1.1598	-0.73
GBP/USD	1.3427	-0.81
USD/JPY	111.96	0.41
AUD/USD	0.7176	-0.83
USD/CNH	6.4777	0.18
USD/MYR	4.1840	-0.01
USD/SGD	1.3610	0.22
Commodities		
WTI (\$/bbl)	74.83	-0.61
Brent (\$/bbl)	78.64	-0.57
Gold (\$/oz)	1,721.50	-0.83

Source: Bloomberg, HLBB Research

- In a separate note, the MBA mortgage applications fell 1.1% w/w last week after a recent 4.9% w/w gain. Both refinancing and home purchases applications were down last week as interest rates climbed.

Eurozone's economic confidence rose in September:

- The European Commission's Economic Sentiment Indicator rose slightly to 117.8 in September (Aug: 117.6), reflecting a less negative consumer sentiment and some improvements in the manufacturing and construction confidence levels. These offset the smaller decline in services industry sentiment and the sharp losses in the retail sector. The latest reading reaffirmed that the Eurozone's reopening growth momentum has peaked and is expected to retreat heading into 4Q.

Japan's economic activity weakened more than expected in August:

- Japan's economic activity weakened in August as the virus resurgence in Asia disrupted supply chains and manufacturing output while the Japanese public's cautious sentiment continued to weigh on consumer spending. Industrial production fell more than expected in August, according to a preliminary estimate. Output was down by 3.2% m/m, compared to the meagre 0.5% decline as expected. This followed a 1.5% fall in output in July. On a year-on-year basis, industrial output growth slowed to 9.3% y/y in August (Jul: +11.6%), missing the forecast of 12.1% y/y.
- Meanwhile, retail sales plunged 4.1% m/m in August (Jul: +1.0%), compared to the expected 1.7% decrease. Y/y, retail sales fell 3.2% (Jul: +2.4%), its first decline in six months.

House View and Forecasts

FX	This Week	3Q-21	4Q-21	1Q-22	2Q-22
DX	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
30/09	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)	351k
	US GDP Annualized QoQ (2Q T)	6.6%
	US MNI Chicago PMI (Sep)	66.8
	NZ ANZ Consumer Confidence Index (Sep)	109.6
01/10	JP Job-To-Applclicant Ratio (Aug)	1.15
	JP Jobless Rate (Aug)	2.8%
	JP Tankan Large Mfg Index (3Q)	14.0

VN Markit Vietnam PMI Mfg (Sep)	40.2
MA Markit Malaysia PMI Mfg (Sep)	43.4
JP Jibun Bank Japan PMI Mfg (Sep F)	51.2
AU Home Loans Value MoM (Aug)	0.2%
EZ Markit Eurozone Manufacturing PMI (Sep F)	58.7
UK Markit UK PMI Manufacturing SA (Sep F)	56.3
EZ CPI Estimate YoY (Sep)	3.0%
US Personal Income (Aug)	1.1%
US Personal Spending (Aug)	0.3%
US PCE Core Deflator YoY (Aug)	3.6%
US Markit US Manufacturing PMI (Sep F)	60.5
US U. of Mich. Sentiment (Sep F)	71.0
US Construction Spending MoM (Aug)	0.3%
US ISM Manufacturing (Sep)	59.9

Source: Bloomberg

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