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Global Markets Research

Daily Market Highlights

01 Aug: US core PCE inflation picked up in June

US consumer spending hurt by elevated inflation

Eurozone's GDP growth beat expectation; CPI hit record high

RBA and BOE expected to hike rates by 50bps this week

- Stocks ended higher on Friday with all three main US benchmarks posting weekly and monthly gains. The Dow Jones rose nearly 1.0% while the S&P 500 and NASDAQ each rose by 1.4% and 1.9%. All three benchmarks wrapped up the eventful week 3.0-4.7% higher, with tech stocks in the lead as investors digested the Fed's second 75bp rate hike and a slew of tech earnings.

- Treasuries traded on a mixed note on Friday. The benchmark 2Y UST yield rose 2bps to 2.89% while the 10Y yield ticked lower for the third consecutive session to 2.65% (-3bps), resulting in a further inversion of the highly watched 2Y10Y part of the curve.

- In the FX market, the dollar generally retreated against a basket of major currencies. JPY was the back-to-back top performer (+0.7%) amid lower UST yields, trading at a six-week high of 133.27 against the USD. EUR/USD rose 0.2% to 1.0220. GBP was little changed (-0.07%) at 1.2171. The dollar index edged down to 105.9 (-0.4%).

- The Philippine peso led the gains on Friday in the Asia-ex-Japan market amid the continuous dollar retreat. IDR gained 0.7% while SGD and THB were flat. MYR rose marginally (+0.06%) to trade at 4.4510 on Friday and was little changed on a weekly basis.

- Oil rose on Friday as tight supply concerns outweighed softer demand and this week's OPEC+ meeting is unlikely to yield any result that would substantially boost production. Brent crude rallied by 2.7% to $110.01/barrel and WTI rebounded by 2.3% to $98.62/barrel.

- Focus shifts to the RBA and the BOE this week as both central banks are likely to deliver 50bp rate hikes.

Inflation erodes US consumer spending; sentiment remained weak:

- The US personal outlay report showed mixed consumer data. Headline personal consumption expenditure (PCE), a measure of consumer spending, rose 1.1% m/m in Jun (May: +0.3%) but the price-adjusted PCE picked up a mere 0.1% m/m (May: -0.3%), adding to evidence that inflation is hurting consumption in the US. In fact, the core PCE price index (the Fed's main inflation gauge) rose 0.6% m/m (May: +0.3%), and was higher by 4.8% y/y (May: +4.7%).
- Personal income continued to record a steady increase of 0.6% m/m (May: +0.6%). The separately released employment cost index rose 1.3% q/q in the second quarter (1Q: +1.4%). The labour market conditions remained tight although higher frequency indicators showed that hiring may be slowing.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	32,845.13	0.97
S&P 500	4,130.29	1.42
NASDAQ	12,390.69	1.88
Stoxx Eur 600	438.29	1.28
FTSE 100	7,423.43	1.06
Nikkei 225	27,801.64	-0.05
Hang Seng	20,156.51	-2.26
Straits Times	3,211.56	-0.28
KLCI 30	1,492.23	0.07
FX		
Dollar Index	105.90	-0.42
EUR/USD	1.0220	0.23
GBP/USD	1.2171	-0.07
USD/JPY	133.27	-0.74
AUD/USD	0.6985	-0.06
USD/CNH	6.7498	0.08
USD/MYR	4.4510	-0.06
USD/SGD	1.3805	0.04
Commodities		
WTI ($/bbl)	98.62	2.28
Brent ($/bbl)	110.01	2.68
Gold ($/oz)	1,762.90	0.72
Copper ($$/MT)	7,917.50	2.00
Aluminum ($/MT)	2,488.50	1.32
CPO (RM/tonne)	4,022.00	2.81

Source: Bloomberg, HLBB Global Markets Research

- The University of Michigan Consumer Sentiment Index rose slightly to 51.5 in July (Jun: 50.0), indicating that consumer confidence had little changed from the historic low in the previous month.
- The MNI Chicago PMI fell to 52.1 in July (Jun: 56.0), pointing to weaker factory operating conditions and softer expansion.

Eurozone's GDP growth beat expectations; inflation hit new high:

- The Eurozone's second quarter GDP smashed expectations at 0.7% q/q (1Q22: +0.5%) as analysts were expecting a smaller 0.2% q/q expansion. Compared to last year, the economy expanded by 4.0% y/y, also better than forecast but weaker than the 5.4% y/y growth in 1Q. The positive reading reflects the reopening effect which boosted the services sector over the last quarter.
- On a separate note, the HICP inflation hit a fresh record high of 8.9% y/y in July (Jun: +8.6%), driven by higher food, services and non-energy industrial goods. The core CPI rate also surged to 4% y/y (Jun: +3.7%). On a m/m basis, headline inflation was at a mere 0.1% m/m price, often a sign that price pressure is peaking, but the outlook remains uncertain given a looming energy crisis.

House View and Forecasts

FX	This Week	3Q-22	4Q-22	1Q-23	2Q-23
DXY	105-107	106.00	105.00	103.00	102.00
EUR/USD	1.01-1.03	1.02	1.03	1.05	1.04
GBP/USD	1.20-1.22	1.21	1.22	1.24	1.23
AUD/USD	0.69-0.71	0.67	0.69	0.70	0.70
USD/JPY	131-135	138.00	135.00	133.00	132.00
USD/MYR	4.44-4.46	4.42	4.40	4.38	4.35
USD/SGD	1.37-1.39	1.40	1.38	1.37	1.36

Rates, %	Current	3Q-22	4Q-22	1Q-23	2Q-23
Fed	2.25-2.50	2.50-2.75	3.00-3.25	3.00-3.25	3.00-3.25
ECB	-0.50	0.25	0.50	0.50	0.50
BOE	1.25	1.75	2.00	2.00	2.00
RBA	1.35	1.60	1.85	1.85	1.85
BOJ	-0.10	-0.10	-0.10	-0.10	-0.10
BNM	2.25	2.50	2.75	2.75	2.75

Source: HLBB Global Markets Research

Up Next

Date	Events	Prior
01/08	MA S&P Global Malaysia PMI Mfg (Jul)	50.4
	VN S&P Global Vietnam PMI Mfg (Jul)	54
	JP Jibun Bank Japan PMI Mfg (Jul F)	52.2
	CN Caixin China PMI Mfg (Jul)	51.7
	EZ S&P Global Eurozone Manufacturing PMI (Jul F)	49.6
	HK GDP YoY (2Q A)	-4.0%
	UK S&P Global/CIPS UK Manufacturing PMI (Jul F)	52.2
	EZ Unemployment Rate (Jun)	6.6%
	US S&P Global US Manufacturing PMI (Jul F)	52.3
	US Construction Spending MoM (Jun)	-0.1%
	US ISM Manufacturing (Jul)	53
02/08	AU Home Loans Value MoM (Jun)	1.7%
	AU Building Approvals MoM (Jun)	9.9%
	AU RBA Cash Rate Target (02 Aug)	1.35%
	HK Retail Sales Value YoY (Jun)	-1.7%
	SG Purchasing Managers Index (Jul)	50.3
	US JOLTS Job Openings (Jun)	11254k

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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