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Global Markets Research

Daily Market Highlights

01 Sep: US stocks closed out August lower

US stocks and treasuries fell ahead of NFP job report

USD generally strengthened; EUR picked up to above parity

Bearish oil sentiment continued; crude oil slumped over 2%

- Global stocks and bonds fell overnight on the last day of August as the markets predict more central bank rate hikes ahead of a key US job report. In the US, stocks fell for the fourth consecutive session, ending the month on a negative note. Major US benchmarks fell 0.6-0.9% on Wednesday and closed out August 2.4-2.9% lower.
- Investors sold US treasuries, pushing up the overall yields by 5-10bps and steepening the curve. The benchmark 2Y UST yield climbed over 5bps to near 3.5% while the 10Y yield rose 9bps to nearly 3.20%.
- The dollar index saw another flat session, closing little changed (-0.07%) at 108.70. The dollar generally strengthened against most G10 currencies. EUR firmed up 0.4%, trading slightly above parity at 1.0054; the single currency had risen for three days in a row on month-end related factors and fresh inflation data which hit 9.1% in August.
- In the G10 basket, the Norwegian krone (NOK) slumped the most by 1.2% after Norway's central bank said it would increase its daily domestic currency sales for its reserves. NOK weakened against the EUR by 1.6% on the same day. Meanwhile, GBP, CHF and CAD fell 0.3% against the USD, followed by AUD (-0.2%) and NZD (-0.2%) and JPY (-0.1%).
- Asian currencies saw mixed performance against the greenback with KRW (+0.6%) leading the gains. Both onshore and offshore yuan rose (0.2-0.3%) on better-than-expected PMI data. THB fell 0.3% while the SGD (+0.06%) was flattish. MYR recovered 0.3% to trade at 4.4760 on Tuesday prior to the Independence Day holiday.
- Oil remained bearish as the fear of a slower global demand haunt traders, outweighing supply-related concerns such as a potential OPEC+ production cut. After the over-5.0% decline on Tuesday, oil benchmarks continued to slump more than 2.0%. Brent crude settled at \$96.49/barrel while WTI was seen at \$89.55/barrel.

US private sector payrolls rose 132k in August:

- The ADP resumed the publication of its private sector payrolls based on a new methodology. The latest report showed that the US private sector added 132k jobs in August (Jul: +268k); the reading missed the consensus forecast of 300k, suggesting that job growth is slowing.
- The MBA mortgage applications fell 2.7% w/w for the week ended 26 August, after the 1.2% decline prior. The higher interest rates, reflected in the average rate of a 30Y fixed rate contract (5.8% vs 5.65% prior) weighed on both purchases and refinancing applications

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	31,510.43	-0.88
S&P 500	3,955.00	-0.78
NASDAQ	11,816.20	-0.56
Stoxx Eur 600	415.12	-1.12
FTSE 100	7,284.15	-1.05
Nikkei 225	28,091.53	-0.37
Hang Seng	19,954.39	0.03
Straits Times	3,221.67	-0.55
KLCI 30 *	1,512.05	0.70
FX		
Dollar Index	108.70	-0.07
EUR/USD	1.0054	0.39
GBP/USD	1.1622	-0.29
USD/JPY	138.96	0.12
AUD/USD	0.6842	-0.18
USD/CNH	6.9069	-0.24
USD/MYR*	4.4760	-0.31
USD/SGD	1.3971	-0.06
Commodities		
WTI (\$/bbl)	89.55	-2.28
Brent (\$/bbl)	96.49	-2.84
Gold (\$/oz)	1,716.90	-0.58
Copper (\$\$/MT)	7,801.50	-0.79
Aluminum(\$/MT)	2,359.00	-1.34
CPO (RM/tonne)	4,193.50	-0.51

Source: Bloomberg, HLBB Global Markets Research
*Closing for 30 Aug

- The MNI Chicago PMI, a gauge of Chicago area's manufacturing conditions, was little changed at 52.2 in August (Jul: 52.1).

Eurozone's record high inflation supported case for a 75bp rate hike:

- The Eurozone's HICP inflation hit 9.1% y/y in August (Jul: +8.9%), vs the forecast of 9.0% y/y. The core CPI inflation, a measure of underlying price pressure, also climbed to 4.3% y/y (Jul: +4.0%), further bolstering the case for a 75bp rate hike by the ECB next month. The surging inflation was broad-based driven by the jump in prices across all key sectors compared to a year ago. Energy rose 38.3% y/y while services picked up 3.8% y/y. Food, alcohol & tobacco was 10.6% y/y higher.

China's official PMI showed slowing activity:

- The official China NBS composite PMI came in weaker at 51.7 in August (Jul: 52.5), indicating slower economic activity last month. Both manufacturing and non-manufacturing PMIs softened compared to the previous month but were better than consensus forecasts. Manufacturing PMI rose to 49.4 (Jul: 49.0) but the sub-50 level indicates extended contraction. The non-manufacturing gauge slipped to 52.6 (Jul: 53.8).

Japan's robust July data a good sign for 3Q economy:

- Japan's industrial production rose 1.0% m/m in July, beating the consensus estimates of a 0.5% m/m fall. Output had managed to sustain growth following the sharp 9.2% m/m increase in June related to the Shanghai reopening. On a y/y basis, industrial output was 1.8% lower, marking its fifth consecutive negative reading.
- Meanwhile, retail sales rebounded in August and also beat forecasts, indicating consumer spending resilience. Sales rose 0.8% m/m in August (Jul: -1.3%), compared to the forecast of 0.3% m/m. This translates to a y/y retail sales growth of 2.4% y/y (Jul: +1.5%).

House View and Forecasts

FX	This Week	3Q-22	4Q-22	1Q-23	2Q-23
DXY	106-110	106.00	105.00	103.00	102.00
EUR/USD	0.99-1.01	1.02	1.03	1.05	1.04
GBP/USD	1.17-1.20	1.21	1.22	1.24	1.23
USD/JPY	135-138	138.00	135.00	133.00	132.00
AUD/USD	0.68-0.71	0.67	0.69	0.70	0.70
USD/MYR	4.46-4.50	4.42	4.40	4.38	4.35
USD/SGD	1.38-1.40	1.40	1.38	1.37	1.36

Rates, %	Current	3Q-22	4Q-22	1Q-23	2Q-23
Fed	2.25-2.50	2.75-3.00	3.25-3.50	3.25-3.50	3.25-3.50
ECB	-0.50	0.25	0.50	0.50	0.50
BOE	1.75	1.75	2.00	2.00	2.00
BOJ	-0.10	-0.10	-0.10	-0.10	-0.10
RBA	1.85	1.60	1.85	1.85	1.85
BNM	2.25	2.50	2.75	2.75	2.75

Source: HLBB Global Markets Research

Up Next

Date	Events	Prior
01/09	MA S&P Global Malaysia PMI Mfg (Aug)	50.6
	JP Jibun Bank Japan PMI Mfg (Aug F)	51.0
	AU Home Loans Value MoM (Jul)	-4.4%
	CN Caixin China PMI Mfg (Aug)	50.4
	EZ S&P Global Eurozone Manufacturing PMI (Aug F)	49.7
	UK S&P Global/CIPS UK Manufacturing PMI (Aug F)	46
	EZ Unemployment Rate (Jul)	6.6%

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	US Initial Jobless Claims (27 Aug)	243k
	US S&P Global US Manufacturing PMI (Aug F)	51.3
	US Construction Spending MoM (Jul)	-1.1%
	US ISM Manufacturing (Aug)	52.8
02/09	US Change in Nonfarm Payrolls (Aug)	528k
	US Unemployment Rate (Aug)	3.5%
	US Average Hourly Earnings YoY (Aug)	5.2%
	SG Purchasing Managers Index (Aug)	50.1
	US Factory Orders (Jul)	2.0%

Source: Bloomberg

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