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Global Markets Research

Daily Market Highlights

02 Sep: Dollar index breached 109 level

Global yields boosted by bond rout; US stocks rebounded

Dollar remained reigning champion in the FX space

Brent crude gave up Ukraine war gain to trade at \$92/barrel

- US stocks posted a modest rebound overnight after having fallen for four sessions in a row as the US reported generally positive data ahead of tonight's nonfarm payroll. The Dow Jones and S&P 500 rose 0.5% and 0.3% respectively whereas tech-focus NASDAQ shed 0.3%. Earlier, risk aversion had led the markets to continue selling European and Asian shares, leaving all major stock benchmarks in red.
- Global yields were pushed up further as the bond market rout extended into Thursday's session amid expectations that central banks would press on with policy tightening to contain inflation. The US treasury yields climbed 1-7bps, led by the long-end of the curve. The benchmark 2Y UST yield rose slightly to 3.5% while the 10Y benchmark gained 6bps to 3.26%.
- After two flat sessions, the dollar index advanced 0.9% to a fresh 20Y high of 109.69. The greenback strengthened against all the G10 majors, where the Scandinavian currencies (SEK, NOK, DKK) and EUR suffered the biggest losses of over 1.0%. EUR/USD fell back to below parity at 0.9946 after trading at above 1.00 for two days. JPY/USD (-0.9%) hit the psychological level of 140, last seen in 1991. GBP/USD (-0.7%) briefly traded below 1.15 before closing at 1.1545.
- The dollar also reigned supreme in the Asian basket. KRW (-1.2%) continued to lead the losses, after Korea reported a record monthly trade deficit. This was followed by THB (-0.5%), PHP (-0.5%) and SGD (-0.4%). On the contrary, MYR closed 0.2% stronger at 4.4830 against the USD.
- Oil fell sharply for the third consecutive session amid heightening concerns over global demand while risk aversion pressured commodities. Brent crude fell 4.3% to \$92.36/barrel, giving up all the Ukraine war-related gain while WTI slumped 3.3% to \$86.61/barrel, the lowest since January this year.

US reported strong ISM manufacturing and initial jobless claims numbers:

- The US ISM Manufacturing Index managed to hold at 52.8 in August (Jul: 52.8), thanks to a rebound in new orders and employment. The S&P Global US manufacturing PMI fell to 51.5 (Jul: 52.2) but the fact that it remained above 50 (compared to its European and UK peers) indicates some sort of manufacturing sector resilience.
- Initial jobless claims fell for the third consecutive week to 232k for the week ended 27 August (prior: 237k), confirming the view that the US hiring demand remains high and the labour market is tight ahead of tonight's August payroll data.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	31,656.42	0.46
S&P 500	3,966.85	0.30
NASDAQ	11,785.13	-0.26
Stoxx Eur 600	407.66	-1.80
FTSE 100	7,148.50	-1.86
Nikkei 225	27,661.47	-1.53
Hang Seng	19,597.31	-1.79
Straits Times	3,224.08	0.07
KLCI 30	1,491.95	-1.33
FX		
Dollar Index	109.69	0.91
EUR/USD	0.9946	-1.07
GBP/USD	1.1545	-0.66
USD/JPY	140.21	0.90
AUD/USD	0.6788	-0.79
USD/CNH	6.9157	0.13
USD/MYR	4.4830	-0.17
USD/SGD	1.4027	0.40
Commodities		
WTI (\$/bbl)	86.61	-3.28
Brent (\$/bbl)	92.36	-4.28
Gold (\$/oz)	1,699.60	-1.01
Copper (\$\$/MT)	7,597.00	-2.62
Aluminum(\$/MT)	2,295.00	-2.71
CPO (RM/tonne)	4,037.00	-3.73

Source: Bloomberg, HLBB Global Markets Research

- Construction spending fell 0.4% m/m in July (Jun: -0.5%). Private residential spending saw an extended decline of over 1.0% for the second month as the housing market slowed amid higher interest rates.

Global manufacturing PMI weakened in August:

- The latest set of S&P Global PMI data showed that the global manufacturing conditions are weakening in August. The UK, Eurozone and China manufacturing PMI both slumped to below 50 last month. In Japan, manufacturing PMI remained at an expansionary area of above 50 in August, but marked its fifth consecutive weaker reading since April. In Malaysia, PMI also weakened to 50.3 (Jul: 50.6).

Eurozone's unemployment rate at record low:

- The Eurozone's unemployment rate fell to a record low of 6.6% in July, from the upwardly revised 6.7% in June, highlighting the tight labour market in the single-currency bloc despite the ever-looming threat of a recession.

AU home loan approvals dropped in July:

- Australia's home loan approved value fell 8.5% m/m in July (Jun: -4.4%), driven by both owner-occupier (-7.0% m/m) and investor loan (-11.2% m/m). Total loan approvals have now fallen for the fifth time within seven months, as higher interest rates weighed on the mortgage market.

House View and Forecasts

FX	This Week	3Q-22	4Q-22	1Q-23	2Q-23
DX	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
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%
05/09	JP Jibun Bank Japan PMI Services (Aug F)	49.2
	VN S&P Global Vietnam PMI Mfg (Aug)	51.2
	HK S&P Global Hong Kong PMI (Aug)	52.3
	SG S&P Global Singapore PMI (Aug)	58.0
	CN Caixin China PMI Services (Aug)	55.5
	SG Retail Sales YoY (Jul)	14.8%
	EZ S&P Global Eurozone Services PMI (Aug F)	50.2
	EZ Sentix Investor Confidence (Sep)	-25.2
	UK S&P Global/CIPS UK Services PMI (Aug F)	52.5
	EZ Retail Sales MoM (Jul)	-1.2%

Source: Bloomberg

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