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Global Markets Research

Daily Market Highlights

03-June: Soft ADP numbers weighed on dollar

US stocks rebounded on risk-on flow; treasury yields little changed

Dollar weakened as ADP payrolls rose a mere 128k; Brainard sees no rate-hike pause yet

OPEC+ agreed to production boost of 648,000 bpd in July and August

- US stocks rallied overnight, ending a two-day losing streak ahead of today's nonfarm payroll report. The Dow Jones rose 1.3% while the S&P 500 climbed 1.8%, driven by gains in all sectors except energy. Tech-focus NASDAQ outperformed as it advanced 2.7% even as Microsoft trimmed earnings and revenue forecasts, citing a strong US dollar. Earlier, European shares closed higher while a majority of Asian benchmarks fell.

- The treasury market stabilised after the recent selloff with yields moving -1.2 to +1.8bps across the curve. The yield on the benchmark 10Y UST was unchanged at 2.91%. Fed Vice Chair Lael Brainard said that she supported the plan for another two 50bp rate hikes in June and July but did not see the case for a pause after that. She added that it was premature to conclude that inflation had peaked.

- Renewed risk appetites and the weaker ADP job report pressured the US dollar, leaving the greenback to depreciate against all G10 currencies overnight. The dollar index closed 0.7% lower at 101.76. SEK gained the most, followed by commodity currencies (AUD, NOK and NZD). Amid USD weakness, gold prices surged by 1.3% to $1866.50/oz.

- USD/MYR rose for the third consecutive session to 4.3890 (+0.1%). The reversal in USD strength may offer some reprieve for the MYR but the cautious sentiment ahead of tonight's NFP report is expected to keep the pair supported within recent range, in line with our slightly bullish view on a weekly basis.

- Oil benchmarks rose even as OPEC+ agreed to a larger output increase of 648k barrels/day in July and August, compared to the previous pledge of 432k barrels/day. The plan came as part of the Saudi's diplomatic deal with the Americans as the former hopes to firm up security reassurance from the latter, which also paves the way for a Biden visit to the kingdom. WTI settled at $116.87/barrel (+1.4%) while Brent closed at $117.61/barrel (+1.1%).

ADP payrolls rose a mere 128k in May; initial jobless claims fell to 200k:

- The ADP National Employment Report said that the US private sector added 128k jobs in May, missing the consensus estimates of 300k. The April job gains were also revised lower to 202k, reflecting firms' difficulties to recruit staff in the currently tight labour market.
- Initial jobless claims fell by 11k to 200k for the week ended 28 May (prior: 211k), suggesting that demand for labour remains strong in the US.
- In another separate note, US April factory orders rose at a softer pace of 0.3% m/m, down from the downwardly revised 1.8% m/m increase in March. The reading underperformed the consensus estimates of 0.7%. Durable goods order growth slowed to 0.5% m/m (Mar: +0.7%) while the core capital order growth also decelerated to 0.4% m/m (Mar: +1.1%), pointing to weaker capex outlook.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	33,248.28	1.33
S&P 500	4,176.82	1.84
NASDAQ	12,316.90	2.69
Stoxx 600	441.23	0.57
FTSE 100	7,532.95	-0.98
Nikkei 225	27,413.88	-0.16
Hang Seng	21,082.13	-1.00
Straits Times	3,226.72	-0.53
KLCI 30	1,549.90	-0.23
FX		
Dollar Index	101.76	-0.72
EUR/USD	1.0747	0.91
GBP/USD	1.2578	0.73
USD/JPY	129.84	-0.22
AUD/USD	0.7265	1.25
USD/CNH	6.6567	-0.62
USD/MYR	4.3890	0.13
USD/SGD	1.3706	-0.28
Commodities		
WTI ($/bbl)	116.87	1.40
Brent ($/bbl)	117.61	1.14
Gold ($/oz)	1,866.50	1.26

Source: Bloomberg, HLBB Global Markets Research

Singapore PMI picked up in May:

- Singapore's official PMI rose to 50.4 in May, up from 50.3 in April reflecting the stronger new orders. Other sub-components to gauge Singapore's manufacturing condition (output, employment, supplier deliveries etc.) generally weakened. The electronics sub-index fell to 50.5 (Apr: 50.7).

Australia's trade surplus increased in April:

- Australia's April trade surplus widened to A$10.5b, from $A9.7b prior reflecting stronger exports numbers. Exports rose 1% m/m (Mar: 0%). Shipments of iron ore, natural gas, petroleum oils, wheat and aluminium rose compared to the previous month. In terms of destinations, China remained the country's biggest importer but shipments to the Mainland fell 2.9% m/m. Exports to Japan and Taiwan picked up alongside a remarkable rebound in shipments to Singapore (+134%). The overall exports to APEC countries held up relatively well.
- On the other hand, imports were down by 1% m/m, extending from the 5% decline in March. Imports from China continued to fall by 6.4% m/m, reflecting supply chain issues related from the lockdown in Shanghai.
- Final reading of PMI services came in higher than the preliminary reading of 53.0 at 53.2 in May, but still marked a moderation from April's 56.1 print, and its lowest in four months. The employment index softened somewhat while prices rose.

House View and Forecasts

FX	This Week	2Q-22	3Q-22	4Q-22	1Q-23
DXY	101-102	106.00	108.00	105.00	103.00
EUR/USD	1.06-1.08	1.02	1.00	1.01	1.03
GBP/USD	1.25-1.27	1.21	1.20	1.22	1.24
AUD/USD	0.70-0.72	0.69	0.68	0.69	0.70
USD/JPY	125-128	133.00	135.00	133.00	132.00
USD/MYR	4.35-4.42	4.38	4.40	4.38	4.35
USD/SGD	1.36-1.38	1.39	1.40	1.38	1.37

Rates, %	Current	2Q-22	3Q-22	4Q-22	1Q-23
Fed	0.75-1.00	1.25-1.50	2.00-2.25	2.50-2.75	2.50-2.75
ECB	-0.50	-0.50	-0.50	-0.25	-0.25
BOE	1.00	1.25	1.25	1.25	1.25
RBA	0.35	0.50	0.75	1.00	1.25
BOJ	-0.10	-0.10	-0.10	-0.10	-0.10
BNM	2.00	2.00	2.50	2.50	2.75

Source: HLBB Global Markets Research

Up Next

Date	Events	Prior
03/06	JP Jibun Bank Japan PMI Services (May F)	51.7
	SG S&P Global Singapore PMI (May)	56.7
	AU Home Loans Value MoM (Apr)	1.6%
	SG Retail Sales YoY (Apr)	8.7%
	EZ S&P Global Eurozone Services PMI (May F)	56.3
	EZ Retail Sales MoM (Apr)	-0.4%
	US Change in Nonfarm Payrolls (May)	428k
	US Unemployment Rate (May)	3.6%
	US Average Hourly Earnings YoY (May)	5.5%
	US Labor Force Participation Rate (May)	62.2%
	US S&P Global US Services PMI (May F)	53.5
	US ISM Services Index (May)	57.1
06/06	HK S&P Global Hong Kong PMI (May)	51.7
	CN Caixin China PMI Services (May)	36.2

Source: Bloomberg

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