Global Markets Research

Daily Market Highlights

03 Aug: Bond yields and dollar jumped

US stocks slipped further on rising US-China tension

Treasury yields surged and dollar strengthened across the board

RBA hiked cash rate by 50bps as expected, said rates not "pre-set"

- US stocks retreated further overnight on the back of rising US-China tension as House Speaker Nancy Pelosi defied Chinese warning by visiting Taiwan. The Dow Jones fell over 400pts or 1.2% while the S&P 500 shed 0.7%. NASDAQ lost 0.2%.

- Treasury yields jumped sharply, led by the front end of the curve as several Fed officials gave assurance that the Fed resolves to bring inflation down via further monetary policy tightening. Recession concerns had recently spurred speculations that the Fed may slow down its rate hike or opt for a policy pivot. The yield on the benchmark 2Y UST surged 18bps to 3.05% while the 10Y yield rose 17bps to 2.75%.

- The greenback was boosted by the sharply higher UST yields, as it appreciated against all G10 currencies. The dollar index recorded its best performance in over three weeks, climbing 0.9% to 106.34.

- Among the G10, AUD was the worst performing currency (-1.5%) alongside the NOK despite the RBA's 50bp rate hike earlier in the day. JPY pared recent gains (-1.2%) while the EUR lost 0.9% and GBP fell 0.7%. Asian-ex-Japan currencies mostly weakened too. SGD and THB both shed 0.3% while MYR remained flattish (-0.05%) at 4.4550.

- Oil traded mixed ahead of the OPEC+ meeting that will decide the September output policy. The US-based WTI settled 0.6% higher at $94.42/barrel while Brent crude fell 0.2% to $99.83/barrel.

US Job openings fell to nine-month low:

- The JOLTS job openings fell to 10.7mil in June (May: 11.3mil), its lowest since September last year, adding to signs that the labour market tightness is easing. Nonetheless, the number of job vacancies was still considered aplenty at this juncture, indicating that wage growth will stay supported. The quit rate, a measure of resignations as a share of total employment, remained unchanged at 2.8%.

Hong Kong's retail sales fell in June:

- Hong Kong's retail sales fell 1.2% y/y in June compared to a year ago, extending from the 1.6% decline in May. On a m/m basis, retail sales fell 4.7%, marking its second monthly fall in a row as the reopening effect faded.

Lower Singapore's PMI in July:

- Singapore's official PMI slipped to 50.1 in July (Jun: 50.3) where the new orders were seen hitting 22-month low. The electronics sector sub-PMI also weakened to 50.5 (Jun: 50.8), attributed to weaker external demand.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	32,396.17	-1.23
S&P 500	4,091.19	-0.67
NASDAQ	12,348.76	-0.16
Stoxx Eur 600	436.07	-0.32
FTSE 100	7,409.11	-0.06
Nikkei 225	27,594.73	-1.42
Hang Seng	19,689.21	-2.36
Straits Times	3,239.15	0.01
KLCI 30	1,495.05	-0.47
FX		
Dollar Index	106.24	0.75
EUR/USD	1.0166	-0.94
GBP/USD	1.2170	-0.65
USD/JPY	133.17	1.19
AUD/USD	0.6920	-1.47
USD/CNH	6.7786	-0.08
USD/MYR	4.4550	0.05
USD/SGD	1.3822	0.33
Commodities		
WTI ($/bbl)	94.42	0.56
Brent ($/bbl)	100.54	0.51
Gold ($/oz)	1,771.10	0.12
Copper ($$/MT)	7,806.50	-0.17
Aluminum ($/MT)	2,414.50	-0.66
CPO (RM/tonne)	4,157.00	-3.33

Source: Bloomberg, HLBB Global Markets Research

Australia's central bank hiked key rate by 50bps:

- The Reserve Bank of Australia lifted the cash rate target to 1.85% as expected, marking its third consecutive 50bp rate hike. It places a high priority to return inflation back to its 2-3% target but said that the path to achieve this is a narrow one and clouded in uncertainty. It expects inflation to peak later this year and the central CPI forecast is around 7.75% over 2022, a little over 4% in 2023 and around 3% in 2024.
- RBA reaffirmed its plan to normalize policy and to bring inflation down but stressed that monetary tightening is "not on a pre-set path". Like other central banks, RBA said that the "size and timing of future interest rate increases will be guided by the incoming data and the Board's assessment of the outlook for inflation and the labour market".
- Australia's home loan value fell 4.4% m/m in June (May: +1.8%), reflecting lower loans extended to both owner occupiers and investors. A separate report showed building permits fell 0.7% m/m (May: +11.2%) after a sharp increase prior.

New Zealand's jobless rate rose in 2Q but wage growth surged:

- New Zealand's job growth slowed in the second quarter but wage growth accelerated further, suggesting that the RBNZ will continue to hike rates to rein in inflation. The unemployment rate rose to 3.3% in the second quarter (1Q: +3.2%), compared to the expectations of 3.1%. Job growth slowed to 1.6% y/y (1Q: +2.7%) while the participation rate also came in lower at 70.8%, versus 70.9%. On a quarterly basis, employment change was flat for the second consecutive quarter. The private wage growth meanwhile, picked up 1.3% q/q (1Q: +0.7%).

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
03/08	JP Jibun Bank Japan PMI Services (Jul F)	51.2
	HK S&P Global Hong Kong PMI (Jul)	52.4
	SG S&P Global Singapore PMI (Jul)	57.5
	CN Caixin China PMI Services (Jul)	54.5
	EZ S&P Global Eurozone Services PMI (Jul F)	50.6
	UK S&P Global/CIPS UK Services PMI (Jul F)	53.3
	EZ Retail Sales MoM (Jun)	0.2%
	US MBA Mortgage Applications (29 Jul)	-1.8%
	US S&P Global US Services PMI (Jul F)	47
	US Factory Orders (Jun)	1.6%
	US ISM Services Index (Jul)	55.3

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04/08	AU Exports MoM (Jun)	9%
	UK Bank of England Bank Rate (04 Aug)	1.25%
	US Trade Balance (Jun)	-$85.5b
	US Initial Jobless Claims (30 Jul)	256k

Source: Bloomberg