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Global Markets Research

Daily Market Highlights

04 Aug: US ISM Services PMI beat expectations

US stocks saw broad-based rally; treasury yields fell

Dollar traded on mixed note; safe haven currencies weakened

Oil plunged on softer demand outlook; OPEC+ agreed to tiny output hike

- US stocks closed higher overnight on the back of better-than-expected corporate earnings and economic data. The Dow Jones rose 1.3% and the S&P 500 advanced 1.6% amid a broad-based sectorial rally. NASDAQ outperformed by notching 2.6%

- Treasury yields fell after the substantial increase in the previous session as the market digested the recent Fed officials' remarks, positive economic data, and news related to Nancy Pelosi's visit to Taiwan. The benchmark 10Y UST yield fell 4bps to 2.71% while the 2Y yield picked up 2bps to 3.07%.

- The dollar traded on a mixed note against major currencies. JPY continued to reverse its recent gains, closing 0.5% lower and was the worst performer in the G10 basket. This was followed by the 0.4% decline in CHF as safe haven currencies lost out amid an improvement in risk sentiment. GBP was down by 0.2% ahead of today's Bank of England's rate hike. NOK was the top performer (+0.6%), followed by the AUD (+0.4%). EUR was unchanged. The dollar index climbed 0.1% to 106.51.

- Asian-ex-Japan currencies mostly weakened against the greenback where losses were led by INR (-0.6%) and PHP (-0.5%). THB lost 0.4% and IDR was down by 0.1%. SGD was flattish (+0.09%) while MYR (-0.04%) was being resilient by closing at 4.4565.

- Oil plummeted as the higher US crude stockpiles signalled softer demand. The OPEC+ announced a small increase (only +100,000 barrels per day) in production target for September, meaning that President Biden's recent visit to Saudi Arabia has failed to convince the cartel to relieve the tight supply market. Brent crude tumbled 3.7% to $96.78/barrel and WTI settled 4% lower at $90.66/barrel.

US ISM services PMI rose in July:

- Services PMI data were mixed for the US. The ISM Services PMI rose to 56.7 in July (Jun: 55.3), outperforming the consensus forecast of 53.5. New orders were seen picking up alongside new exports orders and business activity but employment remained contractionary. The prices paid index retreated sharply, indicating receding price pressure. In contrast, the S&P Global Services PMI slipped to 47.3 in July (Jun: 52.7), its first sub-50 reading since June 2020.
- Headline factory orders rose 2.0% m/m in June (May: +1.8%) of which durable goods surged 2% m/m (May: +0.8%); this was supported by sustained demand for transportation and computer and electronics equipment.
- MBA mortgage applications rose 1.2% w/w for the week ended 29 July (prior: -1.8%), its first gain in five weeks as mortgage rates fell across the board

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	32,812.50	1.29
S&P 500	4,155.17	1.56
NASDAQ	12,668.16	2.59
Stoxx Eur 600	438.29	0.51
FTSE 100	7,445.68	0.49
Nikkei 225	27,741.90	0.53
Hang Seng	19,767.09	0.40
Straits Times	3,252.06	0.40
KLCI 30	1,490.57	-0.30
FX		
Dollar Index	106.51	0.25
EUR/USD	1.0166	0.00
GBP/USD	1.2149	-0.17
USD/JPY	133.86	0.52
AUD/USD	0.6948	0.40
USD/CNH	6.7628	-0.23
USD/MYR	4.4565	0.04
USD/SGD	1.3809	-0.09
Commodities		
WTI ($/bbl)	90.66	-3.98
Brent ($/bbl)	96.78	-3.74
Gold ($/oz)	1,758.00	-0.74
Copper ($$/MT)	7,677.50	-1.65
Aluminum ($/MT)	2,378.00	-1.51
CPO (RM/tonne)	3,946.50	-5.06

Source: Bloomberg, HLBB Global Markets Research following the recent retreat in treasury yields. The average 30Y fixed rate mortgage rate fell around 30bps to 5.43%.

Services weakened in Europe, UK and Japan:

- PMI data showed that services activity weakened in both the UK and euro area as elevated inflation and concerns over potential recessions weighed on demand. The Eurozone S&P Global Services PMI dropped to 51.2 in July (Jun: 53.0) whereas the UK PMI also came in lower at 52.6 (Jun: 54.3).
- In Asia, Japan's services PMI dipped to 51.2 (Jun: 54.0), reflecting a waning reopening effect. The Caixin China Services PMI in contrast, rose to 55.5 in July (Jun: 54.5) after Shanghai reopened in the previous month.
- The Hong Kong whole economy PMI was little changed at 52.3 in July (Jun: 52.4) while Singapore's private sector PMI rose slightly to 58.0 (Jun: 57.5)

Eurozone's retail sales fell in June:

- Retail sales in the euro area fell 1.2% m/m in June after the 0.4% increase in May. This was driven by decline in sales of all categories of goods as consumers scaled back on spending amid the elevated inflation. Sales were 3.7% lower compared to the same month last year.

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
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
05/08	JP Household Spending YoY (Jun)	-0.5%
	JP Labor Cash Earnings YoY (Jun)	1.0%
	SG Retail Sales YoY (Jun)	17.8%
	MA Foreign Reserves (29 Jul)	$107.0b
	US Change in Nonfarm Payrolls (Jul)	372k
	US Unemployment Rate (Jul)	3.6%
	US Average Hourly Earnings YoY (Jul)	5.1%
	US Labor Force Participation Rate (Jul)	62.2%

Source: Bloomberg

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