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Global Markets Research
Daily Market Highlights

05 Sep: More modest nonfarm job gains

Slower nonfarm job gains raised expectations the Fed may go slower
US stocks erased all post-NFP gains to end in the red
DXY somewhat retreated but held on to the 109 handles

- The three key US benchmark stock indices ended 1.1-1.3% lower on Friday, giving up gains in early US trading session after the release of nonfarm job data. There were some pockets of weakness in the job details although the headline job creation at 315k for August signalled the US job markets remain healthy overall. The Dow Jones and S&P 500 took a turn and fell 1.1% while the tech-focus NASDAQ slipped 1.3%. Earlier, European equities were generally bidded up but Asian shares remained under selling pressure.

- Global bond yields fell as the bond market rout took a breather on Friday. The US treasury yields fell 2-11bps, led by the front-end of the curve. The benchmark 2Y UST yield plummeted 11bps to 3.39% while the 10Y benchmark fell 6bps to 3.19%.

- The Dollar Index retreated again on Friday after the brief advance on Thursday. The DXY fell 0.1% to 109.53, as the greenback weakened against all G10s save for the GBP. The sterling weakened 0.3% to 1.1509, and is at risk of losing the 1.15 handle as the UK economy comes under tremendous pressure amid an energy crisis, especially heading into the winter.

- On the contrary, the US Dollar strengthened against most major Asian currencies, with the exception of the CNY (+0.1%), SGD (+0.04%) and JPY (+0.01%). The MYR traded weaker by 0.1% to 4.4865 on Friday, and weakened 0.4% w/w.

- Oil rebounded to increase for the first time in four days, amid renewed concerns over supply in the wake of Nord Stream shutdown. Brent crude increased 0.7% to $93.02/barrel, while WTI edged 0.3% higher to $86.87/barrel.

US nonfarm posted smaller job gains; factory orders unexpectedly declined:

- The US nonfarm sector saw more modest job gains of 315k in August, smaller than the revised 526k increase in July although it was a tad above consensus forecast for a 298k gain. The job addition mainly came from the private sector, with 308k jobs created across a broad spectrum from services to manufacturing, and mining & construction.
- On a less positive note, job gains in the last two months (Jun-Jul) were revised lower by 107k accumulatively, while unemployment rate unexpectedly ticked higher to 3.7% (Jul: 3.5%) as the number of unemployed increased and as more people entered the workforce. Participation rate increased 0.3ppt from 62.1% to 62.4% in August. This, coupled with the slower increase in average hourly earnings (+0.3% vs +0.5% m/m; steadied at +5.2% y/y), implied the Fed may be able to raise rates at a slower rate of

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	31,318.44	-1.07
S&P 500	3,924.26	-1.07
NASDAQ	11,630.86	-1.31
Stoxx Eur 600	415.97	2.04
FTSE 100	7,281.19	1.86
Nikkei 225	27,650.84	-0.04
Hang Seng	19,452.09	-0.74
Straits Times	3,205.69	-0.57
KLCI 30	1,491.18	-0.05
FX		
Dollar Index	109.53	-0.14
EUR/USD	0.9954	0.08
GBP/USD	1.1509	-0.31
USD/JPY	140.20	-0.01
AUD/USD	0.6812	0.35
USD/CNH	6.9160	0.00
USD/MYR	4.4865	0.08
USD/SGD	1.4022	-0.04
Commodities		
WTI ($/bbl)	86.87	0.30
Brent ($/bbl)	93.02	0.71
Gold ($/oz)	1,713.00	0.79
Copper ($$/MT)	7,633.00	0.47
Aluminum($/MT)	2,295.50	0.02
CPO (RM/tonne)	4,017.50	-0.48

Source: Bloomberg, HLBB Global Markets Research

50bps at the upcoming September FOMC meeting. August CPI will be the next key watch influencing the Fed's next policy move.

- Factory orders unexpectedly fell 1.0% m/m in July (Jun: +1.8% revised), its first decline in ten months, amid contractions in durable goods and consumer goods orders. Meanwhile, orders ex-transport also saw a similar 1.1% m/m surprised decline (Jun: +1.0% revised), pointing to broad weaknesses from the consumer sector.

Singapore PMI eased in August adding to signs of softening growth traction:

- PMI slipped for the 3rd straight month to 50.0 in August as expected (Jul: 50.1), its lowest level since the pandemic era in Jun-20, dragged by broad pullbacks across new orders, new exports, output, and employment. The electronics PMI slipped into contraction territory for the first time in 25 months, to 49.6 in August (Jul: 50.5), as both new orders and new exports fell.

House View and Forecasts

FX	This Week	3Q-22	4Q-22	1Q-23	2Q-23
DXY	107-110	106.00	105.00	103.00	102.00
EUR/USD	0.98-1.00	1.02	1.03	1.05	1.04
GBP/USD	1.14-1.17	1.21	1.22	1.24	1.23
USD/JPY	137-141	138.00	135.00	133.00	132.00
AUD/USD	0.66-0.69	0.67	0.69	0.70	0.70
USD/MYR	4.46-4.50	4.42	4.40	4.38	4.35
USD/SGD	1.39-1.41	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	0.75	1.75	2.25	2.75
BOE	1.75	2.25	3.25	3.25	3.25
BOJ	-0.10	-0.10	-0.10	-0.10	-0.10
RBA	1.85	2.25	3.00	3.25	3.25
BNM	2.25	2.50	2.75	2.75	2.75

Source: HLBB Global Markets Research

Up Next

Date	Events	Prior
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%
06/09	JP Household Spending YoY (Jul)	3.5%
	JP Labor Cash Earnings YoY (Jul)	2.0%
	US S&P Global US Services PMI (Aug F)	44.1
	US ISM Services Index (Aug)	56.7

Source: Bloomberg

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