

5 October 2022

Global Markets Research

Daily Market Highlights

5 Oct: Talks of policy pivot surfaced

US stocks edged up further; more modest moves in global bond yields

AUD underperformed amid dovish 25bps hike by RBA

DXY dipped to 110s; talks of policy pivot surface

- U.S. stocks traded higher Tuesday as Wall Street sought to build on a sharp rally seen in the previous session. Both the Dow Jones Industrial Average and S&P 500 jumped 2.8% d/d and 3.1% d/d respectively to 30316.21 and 3790.93. Major US technology and internet stocks rose, sending the Nasdaq 100 up 3.3%, the biggest 1-day percentage gain since July.
- Treasury yields fell across the board for a second day as traders weigh potential pivot from central banks going forward. The benchmark 10-year UST yields was down 1 basis points to 3.64%, after having surpassed the 4.00% mark last week. The yield on the policy-sensitive 2-year Treasuries yields fell 2 basis points to 4.10%. The calmer UK sovereign bonds with the 10 year yields slipping 9 basis points to 3.86% paved the way for more muted moves in UST.
- The Dollar Index fell 1.5 d/d to 110.07 as GBP rallied 1.4% d/d to 1.1476 while the EUR rose 1.6% d/d to 0.9986. On the contrary, the Aussie was the only G10 that weakened, falling 0.2% to 0.6501 following a dovish RBA hike of only 25bps vs expectation for a 50bps hike. Asian currencies strengthened overall, with the THB (+1.5%), CNH (+0.9%), and SGD (+0.6%) leading the gainers. MYR held relatively steady at 4.6438 as investors gauge the impact of continued market rout.
- Gold extended its rally, moving past US\$1,700/oz to close at US\$1721.10/oz as poor US data shifts sentiment. Oil prices also extends rally after OPEC said that it was considering cutting its production limit by as much as 2m barrels per day. The WTI and Brent jumped by more than 3.0% to US\$86.52 and US\$91.80/barrel respectively.

US Factory orders flat, job opening drops to 10.1m, the lowest since June 2021:

- The number of job openings decreased to 10.1m in August, the lowest since June 2021, as declines were seen in health care and social assistance (-236,000), other services (-183,000), and retail trade (-143,000). Hires and total separations were little changed at 6.3m and 6.0m respectively. Within separations, quits (4.2m) and layoffs and discharges (1.5m) were also little changed.
- Orders for manufactured goods were flat in August, in line with forecasts of economists surveyed by the Wall Street Journal and follows July's 1.0% decrease. Durable-goods orders fell 0.2% in August, unrevised from the initial estimate, while orders for nondurable goods were up 0.2% in the

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	30,316.32	2.80
S&P 500	3,790.93	3.06
NASDAQ	11,176.41	3.34
Stoxx Eur 600	403.03	3.12
FTSE 100	7,086.46	2.57
Nikkei 225	26,992.21	2.96
Hang Seng	17,079.51	-0.83
Straits Times	3,138.90	1.02
KLCI 30	1,409.36	0.84
FX		
Dollar Index	110.07	-1.50
EUR/USD	0.9986	1.63
GBP/USD	1.1476	1.35
USD/JPY	144.13	-0.29
AUD/USD	0.6501	-0.23
USD/CNH	7.0416	-0.89
USD/MYR	4.6438	-0.06
USD/SGD	1.4230	-0.61
Commodities		
WTI (\$/bbl)	86.52	3.46
Brent (\$/bbl)	91.80	3.31
Gold (\$/oz)	1,721.10	1.67
Copper (\$\$/MT)	7,718.00	2.80
Aluminum(\$/MT)	2,348.00	5.79
CPO (RM/tonne)	3,373.00	1.93

Source: Bloomberg, HLBB Global Markets Research

month. More importantly, orders for nondefense capital goods, excluding aircraft, rose a revised 1.4% in August, up slightly from the prior reading of a 1.3% gain.

Euro Producer prices rise slightly more than expected:

- Producer prices jumped slightly more than expected at +5.0% m/m and +43.3% y/y in August driven mainly by continuously rising energy costs. Economists polled by Reuters had expected a 4.9% m/m rise and a 43.1% y/y increase. Rocketing energy prices were the main driver of the overall index, rising 11.8% m/m and 116.8% y/y. Excluding energy, the increase in producer prices decelerated to 0.3% m/m and 14.5% y/y from 0.6% m/m and 15.1% y/y the month before.

Australia raises rates to 2.6%, building approvals jump:

- Housing approvals rebounded to register a jump of 28.1% in August. This is compared to a contraction of 17.1%. The sharp increase was led by private sector dwellings excluding houses at +99.1%. Private sector houses approved also rose 4.1%. In tandem, the value of total building rose 23.5%.
- The Reserve Bank of Australia raised the benchmark cash rate by 25bps to 2.6% as the committee is committed to returning inflation to the 2–3% range over time.

House View and Forecasts

FX	This Week	3Q-22	4Q-22	1Q-23	2Q-23
DXY	110-115	106.00	105.00	103.00	102.00
EUR/USD	0.95-1.00	1.02	1.03	1.05	1.04
GBP/USD	1.00-1.03	1.21	1.22	1.24	1.23
USD/JPY	143-148	138.00	135.00	133.00	132.00
AUD/USD	0.63-0.67	0.67	0.69	0.70	0.70
USD/MYR	4.62-4.68	4.42	4.40	4.38	4.35
USD/SGD	1.42-1.45	1.40	1.38	1.37	1.36

Rates, %	Current	3Q-22	4Q-22	1Q-23	2Q-23
Fed	3.00-3.25	3.00-3.25	4.25-4.50	4.25-4.50	4.25-4.50
ECB	1.25	1.25	2.75	2.75	2.75
BOE	2.25	2.25	3.25	3.25	3.25
BOJ	-0.10	-0.10	-0.10	-0.10	-0.10
RBA	2.35	2.35	3.10	3.10	3.10
BNM	2.50	2.50	2.50	2.75	2.75

Source: HLBB Global Markets Research

Up Next

Date	Events	Prior
05/10	AU S&P Global Australia PMI Services (Sep F)	50.4
	JN Jibun Bank Japan PMI Services (Sep F)	51.9
	SI S&P Global Singapore PMI (Sep)	56
	NZ RBNZ Official Cash Rate (38626)	3.00%
	SI Retail Sales YoY (Aug)	13.70%
	EC S&P Global Eurozone Services PMI (Sep F)	48.9
	UK S&P Global/CIPS UK Services PMI (Sep F)	49.2
	US MBA Mortgage Applications (11202)	-3.70%
	US ADP Employment Change (Sep)	132k
	US Trade Balance (Aug)	-\$70.7b
	US S&P Global US Services PMI (Sep F)	49.2
	US ISM Services Index (Sep)	56.9
	HK S&P Global Hong Kong PMI (Sep)	51.2
06/10	AU Exports MoM (Aug)	-10%

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EC Retail Sales MoM (Aug)
US Initial Jobless Claims (37165)

0.30%

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Source: Bloomberg

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