6 September 2022

Global Markets Research
Daily Market Highlights

06 Sep: Softer growth outlook weighs on sentiments

US markets were out for Labour Day holiday; European and Asian stocks ended weaker
China cut FX reserves ratio by 2ppt; token output cut by OPEC+ spurred oil prices
PMI services added to signs of a softening global growth outlook

- The US markets were closed for Labour Day holiday but futures were trading in positive territory. Major European and Asian stock indices closed in the red in general, with the FTSE 100 bucking the trend with small 0.09% gain after Conservative Party's Liz Truss won the leadership contest to become the next prime minister succeeding Boris Johnson.

- Concerns over a deepening energy crisis in Europe amid an indefinite closure of the Nord Stream pipeline stoke risk sentiments, heightening prospects of entrenched inflation and policy tightening, and raising odds of greater economic fallouts. The Stoxx Eur 600 ended 0.6% down, Nikkei slipped 0.1% while the Hang Seng Index plunged 1.2% amid extended lockdown in Chengdu and lingering US-China tensions.

- Global bond rout made a return after taking a breather last Friday. 10Y German bunds saw yields rising 4bps to 1.56% while the 10Y gilts edged 2bps higher to 2.93%. Asian sovereign bonds however traded on a mixed note.

- The Dollar Index traded on a steadier note amid a closed US market, clinching a 0.2% gain to 109.80 as the greenback strengthened against most G10s save for the NOK, CHF and GBP. The JPY weakened 0.3% to 140.60 while the EUR slipped 0.25% to 0.9929, a fresh 20-year low amid looming concerns over a deepening energy crisis. Meanwhile, the sterling eked out a 0.1% gain against the USD with the pair staying above the 1.15 levels for now following the leadership outcome.

- The US Dollar also strengthened against most major Asian currencies, the most vs the KRW (-0.7%) and CNY (-0.5%). The MYR traded weaker by 0.1% to 4.4915 vs the USD, marking its third straight day of decline.

- Oil saw extended gains as the OPEC+ agreed to cut production by 100,000 barrels a day in October in search of stabilizing the oil market. Brent crude jumped 2.1% to $95.23/barrel, while WTI last traded at $86.87/barrel last Friday.

EU Sentix investor confidence worsened; retail sales rebounded:

- Sentix investor confidence softened more than expected to -31.8 in September (Aug: -25.2), back to its pandemic era low (May-20: -41.8). The current situation index dropped more than 10 points to -26.5 while the expectations index fell 3.2 points to -37, its lowest in 24 years.
- Retail sales rebounded to increase 0.3% m/m in July (Jun: -1.0% revised), led by increases in food, drink and tobacco (+0.1% vs 0.0%), mail orders and internet (+4.2% vs -1.9%) and automotive fuel and special stores (+0.4% vs -1.2%). Sales of non-food products fell for a second straight month by 0.4%

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	413.39	-0.62
FTSE 100	7,287.43	0.09
Nikkei 225	27,619.61	-0.11
Hang Seng	19,225.70	-1.16
Straits Times	3,215.48	0.31
KLCI 30	1,489.80	-0.09
FX		
Dollar Index	109.79	0.17
EUR/USD	0.9929	-0.25
GBP/USD	1.1517	0.07
USD/JPY	140.60	0.29
AUD/USD	0.6797	-0.22
USD/CNH	6.9428	0.39
USD/MYR	4.4913	0.11
USD/SGD	1.4035	0.09
Commodities		
WTI ($/bbl)*	86.87	0.30
Brent ($/bbl)	95.23	2.09
Gold ($/oz)*	1,713.00	0.79
Copper ($$/MT)	7,674.00	1.62
Aluminum($/MT)	2,288.00	-0.74
CPO (RM/tonne)	3,911.50	-2.64

Source: Bloomberg, HLBB Global Markets Research
**as at 2-September close*

(Jun: -1.5%), implying lackluster spending on other non-essential items as growth outlook softened. Sales continued contracting on a y/y basis, albeit at a slower pace of 0.9% (Jul: -3.2%), adding to signs of further pullback in 3Q GDP.

PMI prints generally softened in August adding to signs of weakening global outlook:

- Eurozone S&P Global services PMI slipped into contraction level of 49.8 in August, from a preliminary estimate of 50.2 and July's 51.2, adding to signs of an economic slump as new business outlook contracted for a second straight month.
- UK S&P Global/CIPS services PMI tapered off more than initially estimated to 50.9 in August final print (Jul: 52.6), marking its lowest reading since February last year, raising concerns over fast depleting growth in the UK economy.
- China Caixin PMI services softened albeit at a less than expected pace to 55.0 in August (Jul: 55.5), in line with the retreat seen in the official PMI services reading released earlier, a sign that businesses were trying to hang on to multi-challenges posed by lockdowns and power cuts in selected localities.
- In other parts of Asia, final reading of Japan Jibun Bank PMI services slipped into contractionary territory for the first time five months in August (49.5 vs 50.3). In Australia, S&P Global PMI services also eased off but managed to hold above the 50 threshold for the 7th straight month at 50.2 in August (preliminary estimate 49.6), amid pullback in employment and prices.
- Singapore's S&P Global PMI index tapered off to 56.0 in August (Jul: 58.0). its lowest in five months while a similar gauge in Hong Kong also edged lower to 51.2 in August (Jul: 52.3). Vietnam PMI turned out to be the only bright spot, edging up to 52.7 in August (Jul: 51.2), confirming continued economic performance of the country among its peers.

Singapore July retail sales surprised on the upside skewed by base effect:

- Retail sales rebounded to increase 0.6% m/m in July (Jun: -1.4% m/m), driven by turnarounds in essential consumer items including food & alcohol, supermarkets & hypermarkets, furniture & household equipment, as well as computer & telecommunications equipment.
- On a y/y basis, the expansion in retail sales moderated less than expected to 13.7% y/y in July (Jun: +14.9% revised), a sign of underlying expansion in retail spending. That said, gains were skewed by the base effect during the Heightened Alert period in July last year. Hefty gains were seen in food & alcohol (+53.1% vs +46.6%), wearing apparels & footwear (+68.3%), watches & jewelry (+41.7%), in addition to sales at department stores (+42.9%). Sales ex-auto remained robust at 18.1% y/y (Jun: +19.9% revised).

Slower growth in Japan's household spending and labour earnings:

- Japan household spending grew at a softer pace of 3.4% y/y in July, unexpectedly slowed from the 3.5% y/y increase in June. Labour cash earnings also saw easier growth of 1.8% y/y (Jun: +2.0% revised) while real cash earnings continued declining for a 4th straight month, by 1.3% y/y in July (Jun: -0.6%), indicating inflation continued impinging on consumer pockets and growth outlook.

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
06/09	AU RBA cash target rate (Sept)	1.85%
	US S&P Global US Services PMI (Aug F)	44.1
	US ISM Services Index (Aug)	56.7
07/09	AU GDP SA QoQ (2Q)	0.8%
	MA Foreign Reserves (30 Aug)	$110.9b
	EZ GDP SA QoQ (2Q F)	0.6%
	US MBA Mortgage Applications (02 Sep)	--
	US Trade Balance (Jul)	-$79.6b
	CN Exports YoY (Aug)	18.0%

Source: Bloomberg

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