Global Markets Research

Daily Market Highlights

# 08 Aug: US added 528k jobs in July

## Robust job report led to reassessment of recession possibilities

## US treasury yields surged dramatically; 2Y10Y curve inversion deepened

## Dollar rose against major currencies; JPY recorded deepest losses

- US stock benchmarks traded mixed while bond yields jumped on Friday after the surprisingly excellent July job numbers led markets to reassess recession possibilities and the Fed's tightening path. The Dow Jones rose 0.2% while the S&P 500 and NASDAQ fell 0.2% and 0.5% respectively.

- UST yields jumped 10-19bps, led by the front end, resulting in a deeper inversion of a key part of the yield curve. The benchmark 2Y UST yield surged 18bps to 3.23% and the 10Y yield rose 14bps to 2.83%, leaving their spread at 40.3bps, the widest ever observed since April 2000.

- The dollar appreciated alongside the large increase in yields. The dollar index recovered ground by gaining 0.9% to 106.62. Among the G10 basket, the JPY was the worst performing currency after faltering by 1.6% to 135.01.

- The EUR lost 0.6% to 1.0183 while GBP edged down 0.7% to 1.2073. Earlier in the Asia-ex-Japan markets, THB outperformed with a 1.3% gain, followed by KRW (+0.9%). MYR traded 0.2% higher at 4.4505. SGD fell 0.4% to 1.3813 in the overnight session.

- Oil recovered modestly from the recent plunge ahead of the weekend. US WTI rose 0.5% to $89.01/barrel while Brent crude advanced 0.9% to $94.92/barrel.

### US recouped pandemic job losses; strong job numbers bolster case for further Fed tightening:

- The US nonfarm payrolls rose 528k in July (Jun: +398k), besting the forecast for a smaller gain of 250k. The stronger than expected job creation last month means that after 27 months, the US economy has now recouped all the pandemic driven job losses recorded in the March-April 2020 period. The services sector was the primary contributor to July's job gains, led by increases in leisure and hospitality, professional and business services as well as health care.
- The unemployment rate also edged lower to the pre-pandemic level of 3.5% (Jun: 3.6%), although this was to some extent, driven by the lower participation rate (62.1% vs 62.2% prior). The average hourly earnings, a key measure of wage growth, rose 0.5% m/m (Jun: +0.4%) and 5.2% y/y (Jun: +5.2%), indicating that wage growth momentum has not slowed down. The overall job report shows that the US labour market conditions remained tight, with hiring demand holding up steadily which could discredit the talks of recessions and support the case for further Fed tightening.

### Singapore's retail sales growth slowed:

- Singapore's retail sales fell 1.4% m/m in June, after picking up 1.8% in May. Compared to the same month last year, retail sales rose at a softer pace of

**Key Market Metrics**

| | Level | d/d (%) |
|---|---|---|
| **Equities** | | |
| Dow Jones | 32,803.47 | 0.23 |
| S&P 500 | 4,145.19 | -0.16 |
| NASDAQ | 12,657.55 | -0.50 |
| Stoxx Eur 600 | 435.72 | -0.76 |
| FTSE 100 | 7,439.74 | -0.11 |
| Nikkei 225 | 28,175.87 | 0.87 |
| Hang Seng | 20,201.94 | 0.14 |
| Straits Times | 3,282.88 | 0.40 |
| KLCI 30 | 1,501.55 | -0.41 |
| **FX** | | |
| Dollar Index | 106.62 | 0.88 |
| EUR/USD | 1.0183 | -0.61 |
| GBP/USD | 1.2073 | -0.72 |
| USD/JPY | 135.01 | 1.60 |
| AUD/USD | 0.6911 | -0.86 |
| USD/CNH | 6.7659 | 0.22 |
| USD/MYR | 4.4505 | -0.15 |
| USD/SGD | 1.3813 | 0.36 |
| **Commodities** | | |
| WTI ($/bbl) | 89.01 | 0.53 |
| Brent ($/bbl) | 94.92 | 0.85 |
| Gold ($/oz) | 1,772.90 | -0.87 |
| Copper ($$/MT) | 7,870.50 | 1.85 |
| Aluminum ($/MT) | 2,416.00 | 0.54 |
| CPO (RM/tonne) | 3,939.00 | -1.81 |

*Source: Bloomberg, HLBB Global Markets Research*

14.8% y/y in June (May: +17.8%). Excluding motor vehicles, retail sales rose 19.8% y/y (May: +22.6%).

**Malaysia's reserves rose to $109.2b:**

- Malaysia's foreign reserves rose back to $109.2b as at 29 July, from $107.0b previously. The reserves position is sufficient to finance 5.8 months of retained imports and is 1.1 times short-term external debt.

## 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 | 1.21-1.23 | 1.21 | 1.22 | 1.24 | 1.23 |
| AUD/USD | 0.69-0.71 | 0.67 | 0.69 | 0.70 | 0.70 |
| USD/JPY | 131-134 | 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 | 1.75 | 1.75 | 2.00 | 2.00 | 2.00 |
| RBA | 1.85 | 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 |
|---|---|---|
| 08/08 | EZ Sentix Investor Confidence (Aug) | -26.4 |
| 09/08 | NZ Card Spending Retail MoM (Jul) | 0.1% |
| | AU NAB Business Confidence (Jul) | 1.0 |
| | MA Industrial Production YoY (Jun) | 4.1% |
| | US NFIB Small Business Optimism (Jul) | 89.5 |

*Source: Bloomberg*

**Hong Leong Bank Berhad**
Fixed Income & Economic Research, Global Markets
Level 8, Hong Leong Tower
6, Jalan Damanlela
Bukit Damansara
50490 Kuala Lumpur
Tel: 603-2081 1221
Fax: 603-2081 8936
HLMarkets@hlbb.hongleong.com.my

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