10 August 2022

Global Markets Research

Daily Market Highlights

10 Aug: US stock benchmarks closed lower

Tech rout weighed on US stock market as more chipmakers cut guidance

Treasury yields climbed; 2Y10Y yield curve inverted further ahead of US CPI

Dollar saw mixed performance against G10; THB outperformed Asian peers

- US stocks ended lower overnight, driven by the selloff in tech shares. Micron Technology was the latest chipmaker to warn of falling chip demand and predicted fourth quarter sales to weaken. This followed Nvidia's disappointing earnings and weaker guidance this week, stacking up evidence that global semiconductor demand is slowing. The Dow Jones fell 0.2% and the S&P 500 shed 0.4% while NASDAQ posted a steep loss of 1.2%.

- Treasury yields climbed higher, led by the front end of the curve as investors await tonight's US CPI data. The benchmark 2Y UST yield gained 6bps to 3.27% while the 10Y yield rose 2bps to 2.78%, which means that the yield curve inverted further to nearly -50bps, the widest negative spread observed in 22 years.

- The dollar traded mixed against a basket of G10 currencies amid a lack of direction ahead of the US inflation data. The EUR advanced 0.2% while the GBP (-0.02%) and JPY (-0.07) held steadily for the second consecutive session. The dollar index changed little (-0.06%) at 106.37.

- The THB outperformed Asian currencies to emerge as the top performer (+1.2%) after the Thailand government downgraded the Covid-19 disease to the same category as influenza. The overall Asian-ex-Japan currencies saw mixed performance against the greenback and recorded modest changes across. Other gainers include IDR (+0.2%) and KRW (+0.2%). MYR picked up marginally (+0.09%) to 4.4545 while SGD (-0.01%) was little changed at 1.3787.

- Oil prices pulled back modestly following the two-session recovery; Brent crude settled 0.4% lower at $96.31/barrel while WTI edged down 0.3% to $90.50/barrel.

US small business sentiment remained weak:

- The NFIB Small Business Optimism index rose only slightly to 89.9 in July, from 89.5 in June, indicating a marginal improvement in business sentiment. The survey showed easing in inflation as fewer small business owners (56% vs 63% prior) reported higher selling prices. The gauge for future economic expectations also improved but remained negative and many businesses still reported difficulties to fill vacant positions. The NFIB Uncertainty Index actually rose for the second month to 67 (Jun: 55).

Australia's consumer sentiment slipped for the ninth month:

- The Westpac Consumer Confidence slipped to 81.2 in August, from 83.8 in July, marking its ninth consecutive decline since December last year. The back-to-back drop in the index reflects persistent weakening of current

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	32,774.41	-0.18
S&P 500	4,122.47	-0.42
NASDAQ	12,493.93	-1.19
Stoxx Eur 600	435.98	-0.67
FTSE 100	7,488.15	0.08
Nikkei 225	27,999.96	-0.88
Hang Seng	20,003.44	-0.21
Straits Times	3,270.98	-0.36
KLCI 30	1,497.68	0.11
FX		
Dollar Index	106.37	-0.06
EUR/USD	1.0213	0.16
GBP/USD	1.2080	-0.02
USD/JPY	135.05	0.07
AUD/USD	0.6966	-0.31
USD/CNH	6.7552	-0.10
USD/MYR	4.4545	-0.09
USD/SGD	1.3789	0.01
Commodities		
WTI ($/bbl)	90.50	-0.29
Brent ($/bbl)	96.31	-0.35
Gold ($/oz)	1,794.00	0.40
Copper ($$/MT)	7,983.00	-0.06
Aluminum ($/MT)	2,490.50	1.84
CPO (RM/tonne)	4,122.00	2.02

Source: Bloomberg, HLBB Global Markets Research conditions and future expectations gauge as well as the deteriorating conditions for major household purchases.

New Zealand's retail card spending fell in July:

- New Zealand's retail card spending fell 0.2% m/m in July, after the flat reading in June. This was driven by lower fuel spending (-6.1% m/m) amid lower fuel prices. Core retail spending picked up 0.2% m/m (Jun: -0.3%), supported by consumable and apparel. Spending on durables fell for the second month in a row, reflecting cautious consumer sentiment.

Malaysia's industrial production posted strong growth in June:

- Malaysia's industrial production growth beat forecasts for June, coming in at 12.1% y/y, versus the consensus forecast of 4.9%. This followed the 4.1% y/y increase in the previous month. Growth was broad-based as mining, manufacturing and electricity all increased compared to a year ago. On a m/m basis, headline industrial production jumped 9.6%, ending a two-month falling streak.

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
10/08	AU Westpac Consumer Conf Index (Aug)	83.8
	CN PPI YoY (Jul)	6.1%
	CN CPI YoY (Jul)	2.5%
	US MBA Mortgage Applications (05 Aug)	--
	US CPI YoY (Jul)	9.1%
11/08	US PPI Final Demand YoY (Jul)	11.3%
	US Initial Jobless Claims (06 Aug)	--

Source: Bloomberg

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