12 August 2022

Global Markets Research

Daily Market Highlights

12 Aug: Stock rally wavered as long-term yields jumped

Tech stocks underperformed major benchmarks

Treasury yield curve steepened as selling in longer maturities intensified

US producer price index unexpected fell in July

- Momentum in US stocks wavered on Thursday as investors decided that the Federal Reserve may yet to pivot away from hawkish monetary policy. All main US benchmarks erased early gains and closed on a mixed note- the Dow Jones (+0.08%) and S&P 500 (-0.07%) were little changed at the end of the day while NASDAQ (-0.6%) underperformed.

- Treasury yield curve steepened sharply as selling in the longer-term maturities intensified. Treasury yields rose overnight, led by the 30-year which gained 15bps to 3.18% after a $21b auction drew weaker demand. The yield on the benchmark 10Y UST picked up 11bps to 2.89%. while the current 2Y yield was unchanged at 3.22%.

- The dollar largely weakened against G10 majors overnight albeit at modest magnitudes. NZD was the best performing currency with 0.5% gain. EUR appreciated 0.2% while GBP and JPY both weakened by 0.1% against the greenback. The dollar index was little changed (-0.1%) at 105.09.

- Asian currencies rallied earlier after the US CPI printed weaker readings. THB outperformed by rallying 1.1%, followed by the IDR (+0.7%), PHP (+0.7%) and KRW (+0.6%). MYR strengthened 0.2% to 4.4450 while SGD was virtually unchanged at 1.3692.

- Oil prices jumped as six oil and gas fields in the Gulf of Mexico were shut following halted pipelines. Brent crude climbed 2.3% to $99.60/barrel and WTI rallied 2.6% to $94.34/barrel.

US PPI fell in July; initial jobless claims climbed:

- The producer price index for final demand unexpectedly fell 0.5% m/m in July (Jun: +1.0%), marking its first decline in more than two years and accumulating evidence that inflation in the US has passed its peak. The fall in prices reflects a sharp decline in prices of energy goods (-9.0% m/m) as services prices edged up slightly (+0.1% m/m). This in turn translated to a softer annual PPI rate of 9.8% y/y (Jun: +11.3%).
- Initial jobless claims rose to 262k for the week ended 6 August, up from the downwardly revised 248k in the previous week. The 4-week moving average continued to trend up to 252k, from 247.5k prior, signalling easing labour market conditions.

New Zealand's manufacturing improved; food inflation surged:

- The BusinessNZ Manufacturing PMI rose to 52.7 in July, up from the revised 50.0 reading in June, signalling improving factory conditions in New Zealand. Meanwhile, food inflation continued to climb in the country as the food price index rose 2.1% m/m (Jun: +1.2%) which translated to a whopping 7.4% y/y

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	33,336.67	0.08
S&P 500	4,207.27	-0.07
NASDAQ	12,779.91	-0.58
Stoxx Eur 600	440.16	0.06
FTSE 100	7,465.91	-0.55
Nikkei 225	27,819.33	-0.65
Hang Seng	20,082.43	2.40
Straits Times	3,301.96	0.48
KLCI 30	1,505.56	0.89
FX		
Dollar Index	105.09	-0.10
EUR/USD	1.0320	0.20
GBP/USD	1.2205	-0.11
USD/JPY	133.02	0.10
AUD/USD	0.7106	0.24
USD/CNH	6.7438	0.31
USD/MYR	4.4450	-0.24
USD/SGD	1.3692	-0.01
Commodities		
WTI ($/bbl)	94.34	2.62
Brent ($/bbl)	99.60	2.26
Gold ($/oz)	1,796.80	-0.36
Copper ($$/MT)	8,173.00	1.08
Aluminum ($/MT)	2,520.50	1.25
CPO (RM/tonne)	4,166.50	-0.23

Source: Bloomberg, HLBB Global Markets Research increase. The higher prices of grocery food and also restaurant meals and ready-to-eat food contributed to the gain.

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
12/08	MA GDP YoY (2Q)	5.0%
	UK Monthly GDP (MoM) (Jun)	0.5%
	UK GDP QoQ (2Q P)	0.8%
	UK Industrial Production MoM (Jun)	0.9%
	UK Index of Services MoM (Jun)	0.4%
	UK Visible Trade Balance GBP/Mn (Jun)	-£21445m
	HK GDP YoY (2Q F)	-1.4%
	EZ Industrial Production SA MoM (Jun)	0.8%
	US Import Price Index YoY (Jul)	10.7%
	US U. of Mich. Sentiment (Aug P)	51.5
15/08	NZ Performance Services Index (Jul)	55.4
	JP GDP SA QoQ (2Q P)	-0.1%
	CN Industrial Production YoY (Jul)	3.9%
	CN Retail Sales YoY (Jul)	3.1%
	CN Fixed Assets Ex Rural YTD YoY (Jul)	6.1%
	JP Industrial Production MoM (Jun F)	8.9%
	US Empire Manufacturing (Aug)	11.1
	US NAHB Housing Market Index (Aug)	55.0

Source: Bloomberg

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