

15 August 2022

Global Markets Research

Daily Market Highlights

15 Aug: Dollar index rebounded on Friday

Dollar strengthened; NASDAQ outperformed major stock indexes;

Treasury curve flattened as consumer sentiment showed improvement

Malaysia's 2Q22 GDP growth continued to gain traction

- Stocks regained momentum on Friday as the recent pullback in US inflation data helped sustain the longest winning streak since November 2021. The weaker CPI and PPI prints left investors hopeful that the Fed will ease on its pace of rate hike and prevent a recession. Tech stocks drove Friday's rally, leading the NASDAQ (+2.1%) to outperform the Dow (+1.3%) and S&P 500 (+1.7%). For the week, all three indexes rose 2.9-3.1% w/w where the S&P 500 and NASDAQ marked their fourth consecutive weekly gain.
- Treasury yield curve flattened after the University of Michigan Consumer Sentiment came in better than expected. The benchmark 2Y UST yield rose 3bps to 3.25% whereas the belly to long-end was richer. 10Y UST yield dropped 6bps to 2.83%.
- The dollar correction weighed on most G10 majors on Friday where the dollar index ended a four-day losing streak to close 0.5% higher at 105.63. EUR and GBP depreciated by 0.6% while JPY fell 0.3%. NZD (+0.3%) and AUD (+0.1%) were the only G10 gainers; New Zealand reported higher food inflation and investors are anticipating another 50bp RBNZ rate hike this week.
- IDR outperformed peers with 0.7% gain as most Asian currencies either weakened or stayed flat. Key losers are PHP (-0.6%), SGD (-0.2%) and TWD (-0.1%). The MYR was little changed at 4.4440.
- Oil erased recent gains as OPEC cut its forecasts for global oil demand this year by 260k barrels to 100.03mil barrels per day. The 2023 forecast was also revised down by similar magnitude to 102.72mil/bpd. Brent fell 1.5% to \$98.15/barrel and WTI retraced 2.4% back to \$92.09/barrel.

US consumer sentiment improved; imported inflation eased:

- The preliminary University of Michigan Consumer Sentiment rose to 55.1 in August (Jul: 51.5), marking its second consecutive increase from the record low level in June. The improvement in consumer sentiment reflects the higher year-ahead economic outlook. The further decline in energy prices led the expected year-ahead inflation rate to fall to 5.0% (Jul: 5.2%).
- The import price index fell 1.4% m/m in July (Jun: +0.3%) reflecting lower costs of imported petroleum, food & beverages as well as industrial supplies. The y/y imported price inflation also slowed to 8.8%, from 10.7% prior.

Eurozone's industrial production beat forecasts:

- Industrial production in the euro area rose 0.7% m/m in June, besting the consensus estimates of 0.2%. May's reading was also revised higher to show a much larger 2.1% m/m output gain. The sustained resilience suggests that easing supply chain constraints allowed factories to increase production and to catch up with demand.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	33,761.05	1.27
S&P 500	4,280.15	1.73
NASDAQ	13,047.19	2.09
Stoxx Eur 600	440.87	0.16
FTSE 100	7,500.89	0.47
Nikkei 225	28,546.98	2.62
Hang Seng	20,175.62	0.46
Straits Times	3,269.27	-0.99
KLCI 30	1,506.19	0.04
FX		
Dollar Index	105.63	0.51
EUR/USD	1.0259	-0.59
GBP/USD	1.2138	-0.55
USD/JPY	133.42	0.30
AUD/USD	0.7121	0.21
USD/CNH	6.7380	-0.09
USD/MYR	4.4440	-0.02
USD/SGD	1.3716	0.18
Commodities		
WTI (\$/bbl)	92.09	-2.38
Brent (\$/bbl)	98.15	-1.46
Gold (\$/oz)	1,798.60	0.50
Copper (\$\$/MT)	8,091.50	-1.00
Aluminum (\$/MT)	2,434.50	-3.41
CPO (RM/tonne)	4,248.00	1.96

Source: Bloomberg, HLBB Global Markets Research

UK GDP contracted 0.1% q/q in second quarter:

- The UK economy contracted by 0.1% q/q in the second quarter of 2022 versus the forecast of -0.2% q/q. This followed the 0.8% q/q growth in the first quarter. The contraction reflects decline in household consumption as inflation weighed on consumer spending while at the same time private investment also weakened amid uncertain economic outlook. On a y/y basis, GDP growth slowed substantially to 2.9%, from 8.7% prior.
- In a separate report, industrial production fell 0.9% m/m in June (May: +1.3%) of which manufacturing sector output fell 1.6% m/m. Meanwhile, services output also fell 0.5% m/m in (May: +0.2%) reflecting negative contribution from the human health and social work activities as the government scaled back the Covid-19 test and trace efforts.

Japan's economy expanded in 2Q22:

- Japan's 2Q22 economy expanded as the loosening of Covid restrictions boosted consumption. GDP growth accelerated to 0.5% q/q in the second quarter, from the revised 0% in the previous quarter. Private consumption (+1.1% q/q) supported by household spending rose alongside fixed capital formation (+0.8% q/q) whereas government spending also picked up. Exports growth was sustained at 0.9% q/q while imports weakened. On a y/y basis, GDP growth also quickened to 1.1% (1Q22: +0.7%).

Hong Kong's GDP rebounded q/q but recorded second y/y contraction:

- A final report showed that Hong Kong's GDP grew 1.0% q/q in the second quarter of 2022, rebounding partially from the 2.9% contraction in the first quarter. On a y/y basis, GDP saw back-to-back contraction at -1.3% (1Q22: -3.9%), reflecting continuously weak household spending, investment and goods exports. The government now revised its full year 2022 GDP growth forecast to -0.5 to +0.5%, down from the previous range of 1 to 2%, attributed to the worse-than-expected 1H22 performance and deteriorating global economic prospects.

Malaysia's 2Q GDP continued to gain traction:

- Malaysia's GDP expanded by 3.5% q/q in the second quarter of 2022 (1Q22: +3.8%). On a y/y basis, The Malaysian economy continued to pick up steam for the third consecutive quarter, expanding by 8.9% y/y in 2Q22 (1Q22: +5.0%), spurred by a strong pick-up in domestic demand, notably private consumption and investment. The best growth in a year came in slightly below our expectation (+9.5% y/y) but way above consensus estimate for a 7.0% growth. All supply side sectors improved, with the exception of agriculture.

New Zealand's services growth slowed:

- New Zealand's Performance of Services PMI slipped to 51.2 in July, from 54.7 in June. This reflects the fall in employment as well as substantially weaker new orders. BNZ said that the survey, alongside the manufacturing data, suggest that New Zealand's economic expansion will continue into the third quarter but likely at a slower pace compared to the second quarter.

House View and Forecasts

FX	This Week	3Q-22	4Q-22	1Q-23	2Q-23
DX	104-106	106.00	105.00	103.00	102.00
EUR/USD	1.02-1.04	1.02	1.03	1.05	1.04
GBP/USD	1.21-1.23	1.21	1.22	1.24	1.23
USD/JPY	130-133	138.00	135.00	133.00	132.00
AUD/USD	0.70-0.72	0.67	0.69	0.70	0.70
USD/MYR	4.42-4.45	4.42	4.40	4.38	4.35
USD/SGD	1.36-1.38	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
BOJ	-0.10	-0.10	-0.10	-0.10	-0.10
RBA	1.85	1.60	1.85	1.85	1.85
BNM	2.25	2.50	2.75	2.75	2.75

Source: HLBB Global Markets Research

Up Next

Date	Events	Prior
15/08	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
16/08	AU RBA Minutes of Aug. Policy Meeting ()	
	UK Payrolled Employees Monthly Change (Jul)	31k
	UK Average Weekly Earnings 3M/YoY (Jun)	6.20%
	UK ILO Unemployment Rate 3Mths (Jun)	3.80%
	UK Employment Change 3M/3M (Jun)	296k
	EZ ZEW Survey Expectations (Aug)	-51.1
	EZ Trade Balance SA (Jun)	-26.0b
	US Building Permits MoM (Jul)	0.1%
	US Housing Starts MoM (Jul)	-2.0%
	US Industrial Production MoM (Jul)	-0.2%
	US Capacity Utilization (Jul)	80.0%
	US Manufacturing (SIC) Production (Jul)	-0.5%

Source: Bloomberg

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