

16 August 2022

Global Markets Research

Daily Market Highlights

16 Aug: US stocks and treasuries rallied

Stocks rose modestly despite weaker US, Chinese data and PBOC rate cut

Treasury yields edged lower; 2s10s spread remained at -40bps

Dollar strength dominated FX market; oil tumbled

- US stocks ended modestly higher on Monday even as global markets grappled with weak Chinese data and a PBOC rate cut. The Dow Jones rose 0.5% while the S&P 500 picked up 0.4%, led by consumer staples and utilities shares. Tech-focus NASDAQ gained 0.6%.
- Treasury yields ticked lower as bonds rallied as the US Empire State Manufacturing slumped more than 40pts in August. The benchmark 2Y yield was pushed to 3.19% (-6bps) while the 10Y yield fell to 2.79% (-4bps), slightly steepening the 2s10s spread which remained at -40bps. Fed-dated swap meanwhile, still priced in 40% chance of a 75bp rate hike in September.
- USD jumped on haven bids, boosting the dollar index by 0.9% to 106.55. All G10 currencies, except the JPY (+0.08%), depreciated against the greenback. The NOK, SEK, AUD and NZD lost 1.3-1.5% whereas the EUR and CAD fell nearly 1%. GBP shed 0.7%.
- The dollar bulls also dominated Asia in the earlier session. Offshore RMB tumbled 1.1% on the PBOC rate cut while other notable losers are THB (-0.9%), SGD (-0.5%) and IDR (-0.5%). MYR fell 0.3% to trade 4.4590 against the USD.
- Oil plunged for the second consecutive session on weak Chinese data; Brent crude fell 3.1% to \$95.10/barrel while WTI dropped 2.9% to \$89.41/barrel.

US Empire State Manufacturing plummeted; homebuilding confidence deteriorated:

- The New York Fed Empire State Manufacturing Index collapsed to -31.3 in August, from 11.1 in July, sharply missing the consensus estimates of 5.0. The 42pt drop was the survey's second largest decline on record, reflecting a contraction in new orders and shipment and a general deterioration of manufacturing operating conditions.
- The NAHB Housing Market Index, a gauge of homebuilding sentiment, slipped for the eighth successive month to 49 in August (Jul: 55). Building confidence continues to falter as higher mortgage rates in the US dampened housing demand and outlook.

China cut 1Y MLF rate as economic data weakened:

- The PBOC surprised the markets with a rate cut on Monday ahead of the all-important monthly economic data release. The 1Y Medium-term Lending Facility Rate was cut by 10bps from 2.85% to 2.75%, marking the central bank's second MLF cut this year (PBOC has cut MLF once this year in January).
- Monday's data dump showed that key indicators all underperformed expectations, affirming the view that growth momentum lost its lustre after the reopening effect faded. Industrial production rose 3.8% y/y in July (Jun:

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	33,912.44	0.45
S&P 500	4,297.14	0.40
NASDAQ	13,128.05	0.62
Stoxx Eur 600	442.35	0.34
FTSE 100	7,509.15	0.11
Nikkei 225	28,871.78	1.14
Hang Seng	20,040.86	-0.67
Straits Times	3,256.82	-0.38
KLCI 30	1,504.01	-0.14
FX		
Dollar Index	106.55	0.87
EUR/USD	1.0160	-0.97
GBP/USD	1.2055	-0.68
USD/JPY	133.32	-0.07
AUD/USD	0.7023	-1.38
USD/CNH	6.8158	1.15
USD/MYR	4.4590	0.34
USD/SGD	1.3791	0.55
Commodities		
WTI (\$/bbl)	89.41	-2.91
Brent (\$/bbl)	95.10	-3.11
Gold (\$/oz)	1,781.40	-0.96
Copper (\$\$/MT)	7,980.00	-1.38
Aluminum (\$/MT)	2,390.00	-1.83
CPO (RM/tonne)	4,436.50	4.44

Source: Bloomberg, HLBB Global Markets Research

+3.9%) reflecting softer manufacturing and mining growths. Retail sales picked up a mere 2.7% y/y (Jun: +3.1%) while residential property sales sustained an over-31% decline. The fixed assets investment fell 6.4% for the first seven months of 2022, compared to the 12.7% y/y growth recorded in the same period last year.

Japan's industrial production growth revised higher:

- Japan's industrial production growth was revised higher to 9.2% m/m for June, from 8.9% in the advance estimate. The sharp rebound followed two months of decline (May: -7.5%) during which output was affected by the Shanghai lockdown in China. Operating ratio rebounded to 92.3 in June, after briefly declining to 84.2 in May. On a y/y basis, industrial production fell 2.8% (May: -3.1%), its fourth consecutive negative reading.

House View and Forecasts

FX	This Week	3Q-22	4Q-22	1Q-23	2Q-23
DXY	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
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%
17/08	JP Exports YoY (Jul)	19.3%
	JP Core Machine Orders MoM (Jun)	-5.6%
	AU Westpac Leading Index MoM (Jul)	-0.16%
	SG Non-oil Domestic Exports YoY (Jul)	9.0%
	AU Wage Price Index YoY (2Q)	2.4%
	NZ RBNZ Official Cash Rate (17 Aug)	2.5%
	UK CPI YoY (Jul)	9.4%
	EZ GDP SA QoQ (2Q P)	0.7%
	US MBA Mortgage Applications (12 Aug)	--
	US Retail Sales Advance MoM (Jul)	1.0%

Source: Bloomberg

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