17 August 2022

Global Markets Research

Daily Market Highlights

17 Aug: US manufacturing output rebounded

US consumer shares gained on better-than-expected retailers' earnings

Treasuries bear-flattened as US reported mixed economic data

Dollar traded mixed; oil prices plunged on a possible Iran deal

- US stocks closed on a mixed note overnight. The Dow Jones rose 0.7% while the S&P 500 picked up 0.2%, led by consumer staples and discretionary shares as major retailers namely Walmart and Home Depot reported better-than-expected earnings. Tech-focus NASDAQ ticked lower by 0.2%.

- Treasuries bear-flattened as investors digested mixed US data that showed rebounding manufacturing production and weaker homebuilding activity in July. Front end yields led the gains in yields- 2Y benchmark UST yield climbed 7bps to 3.26% while 10Y UST yield rose 2bps to 2.81%.

- The dollar traded mixed against G10 majors. Losers are safe haven currencies such as JPY (-0.7%) and CHF (-0.4%). NZD also fell 0.3% ahead of today's RBNZ rate hike. Meanwhile, key gainers included NOK (+0.5%), CAD (+0.5%), GBP (+0.3%) and EUR (+0.1%). AUD was unchanged although the RBA meeting minutes signalled further rate hikes and affirmed that interest rates policy is not on a pre-set path. The dollar index was little changed (-0.04%) at 106.50.

- Asian currencies mostly weakened against the USD earlier, led by KRW (-0.4%). MYR closed 0.2% weaker at 4.4670. THB gained 0.2% and SGD was flat (+0.04%) at 1.3785.

- Oil tumbled further as traders a weighed possible Iran deal that may increase global crude supply against the weakening outlook. WTI dropped 3.2% to settle at $86.53/barrel, its lowest level in more than six months. Brent crude shed 2.9% to $92.34/barrel.

US manufacturing output rebounded; homebuilding weakened

- Industrial production increased 0.6% m/m in July (Jun: 0%), beating the forecast of 0.3% gain thanks to the sharper 0.6% rebound in manufacturing production and the 0.7% extended gain in mining production. Utilities fell 0.8% m/m. The Fed (publisher of the data) attributed the positive reading to the higher (+6.6% m/m) production of motor vehicles and parts. Factory output elsewhere also rose 0.3% m/m.
- A separate release showed that US homebuilding activity continued to weaken as housing affordability was dampened by higher interest rates. Housing starts fell more than expected by 9.6% m/m in July (Jun: +2.4%) to the slowest pace since early 2021 while building permits also dropped 1.3% m/m (Jun: +0.1%).

German investor confidence plunged; Eurozone's trade deficit widened:

- The Germany ZEW Expectation Index for the Eurozone slipped further to -54.9 in August (Jul; -51.1). German investor confidence deteriorated further amid the elevated inflation and the prospects for higher energy costs as Russia threatened lower energy shipment.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	34,152.01	0.71
S&P 500	4,305.20	0.19
NASDAQ	13,102.55	-0.19
Stoxx Eur 600	443.07	0.16
FTSE 100	7,536.06	0.36
Nikkei 225	28,868.91	-0.01
Hang Seng	19,830.52	-1.05
Straits Times	3,253.79	-0.09
KLCI 30	1,518.78	0.98
FX		
Dollar Index	106.50	-0.04
EUR/USD	1.0171	0.11
GBP/USD	1.2096	0.34
USD/JPY	134.22	0.68
AUD/USD	0.7022	-0.01
USD/CNH	6.7920	-0.35
USD/MYR	4.4670	0.17
USD/SGD	1.3785	-0.04
Commodities		
WTI ($/bbl)	86.53	-3.22
Brent ($/bbl)	92.34	-2.90
Gold ($/oz)	1,779.40	-0.48
Copper ($$/MT)	7,979.00	-0.01
Aluminum ($/MT)	2,392.00	0.08
CPO (RM/tonne)	4,259.50	-3.99

Source: Bloomberg, HLBB Global Markets Research

- The Eurozone trade deficit widened to €30.8b in June (May: -€27.2b) reflecting the sharper increase in the euro area's imports (+1.3% m/m) compared to the 0.1% m/m decrease in exports. The single-currency bloc has now maintained a trade deficit for the ninth consecutive month thanks to reopening demand and disruption in exports caused by the persistent supply chain issues.

Job growth slowed in the UK:
- The UK unemployment rate remained unchanged at 3.8% in the three months to June (May: 3.8%). In the same period, job growth slowed amid weaker economic outlook - the economy added 160k jobs (May: +296k), versus the consensus forecast of 268k job gains. The average weekly earnings also slowed to 5.1% y/y (May: +6.4%), but higher than the forecast of 4.5%.

Japan posted 12th consecutive trade deficit in July:
- Japan's trade deficit widened only slightly to ¥1,436.8b in July (Jun: -¥1,398.5b) as export growth slowed to 2.1% m/m (Jun: +4.0%) and imports rose 3.5% m/m (Jun: +3.7%). The July reading is Japan's 12th consecutive trade deficit as the yen weakened further. On a y/y basis, there was a sustained increase in both exports (+19.0% y/y vs +19.3% y/y prior) and imports (+47.2% y/y vs +461% y/y prior).
- Core machinery orders, a gauge of biz capex, posted a small 0.9% m/m rebound in Jun after the sharper 5.6% m/m fall in May. This leaves the y/y order growth slower at 6.5% y/y (May: +7.4%).

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	4.44-4.48	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
17/08	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%
18/08	US FOMC Meeting Minutes (27 Jul)	--
	AU Employment Change (Jul)	88.4k
	AU Unemployment Rate (Jul)	3.5%
	EZ CPI Core YoY (Jul F)	4.0%
	US Philadelphia Fed Business Outlook (Aug)	-12.3

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US Initial Jobless Claims (13 Aug)	362k
US Existing Home Sales MoM (Jul)	-5.4%
US Leading Index (Jul)	-0.8%

Source: Bloomberg