19 August 2022

Global Markets Research

Daily Market Highlights

19 Aug: USD bulls dominated FX market

US stocks rose modestly while treasuries curve bull-steepened

Dollar strengthened against all majors; oil sustained positive momentum

US reported lower initial jobless claims, sixth monthly decline in existing home sales

- US stocks swung between gains and losses throughout the day and closed modestly higher as investors digested a slew of US data, corporate earnings and the recently released FOMC minutes. The Dow Jones was marginally higher (+0.06%) while the S&P 500 and NASDAQ both advanced 0.2%.

- Treasuries ended richer by 2-9bps; short-term maturities led the gains and steepened the curve. The benchmark 2Y UST yield fell 9bps to 3.20% while the 10Y yield inched 2bps lower to 2.88%.

- The dollar bulls dominated the FX market, boosting the DXY to 107.48 (+0.9%). In the G10 basket, the GBP lost 1.0% and EUR weakened 0.9%. JPY was down by 0.6% alongside CHF (-0.5%). Commodity currencies such as AUD, NZD, CAD and NOK recorded relatively smaller losses (-0.3 to -0.4%).

- Earlier, Asian currencies weakened against the greenback post-FOMC minutes. Losses were led by KRW (-0.8%), followed by THB (-0.5%), IDR (-0.4%) and SGD (-0.4%). MYR slipped 0.1% to 4.4730.

- Oil extended gain thanks to the lingering momentum from this week's EIA report that showed crude inventory fell over-7millions. The US WTI rose 2.7% to $90.50/barrel while Brent added another 3.1% to $96.59/barrel.

US initial jobless claims fell to 250k; existing home sales slipped for sixth month:

- Initial jobless claims fell to 250k for the week ended 13 August, from the downwardly revised 252k claims in the previous week, indicating that the business hiring and the overall labour market conditions remained strong.
- The Philadelphia Fed Manufacturing Index unexpectedly rose to 6.2 in August (July: -12.3), compared to the consensus forecast of -5.0. The positive reading is in contrast with the NY Fed's similar gauge early this week and together with the rebound in the official July manufacturing output suggest that the US factory conditions may not be as bad as feared.
- The Conference Board Leading Index fell for the fifth consecutive time by 0.4% m/m in July (Jun: -0.7%), pointing to deteriorating economic outlook. The decline reflects weaker ISM new orders, building permits, jobless claims data and the average consumer expectations.
- Existing home sales fell for the sixth month to over-two-year low, as higher mortgage rates dampened buyer interest. Sales of previously owned homes fell 5.9% m/m (Jun: -5.5%) to the annualised rate of 4.81mil units in July (Jun: 5.11mil)

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	33,999.04	0.06
S&P 500	4,283.74	0.23
NASDAQ	12,965.34	0.21
Stoxx Eur 600	440.76	0.39
FTSE 100	7,541.85	0.35
Nikkei 225	28,942.14	-0.96
Hang Seng	19,763.91	-0.80
Straits Times	3,273.48	0.33
KLCI 30	1,516.62	-0.10
FX		
Dollar Index	107.48	0.85
EUR/USD	1.0087	-0.91
GBP/USD	1.1930	-0.98
USD/JPY	135.89	0.62
AUD/USD	0.6917	-0.25
USD/CNH	6.8031	0.13
USD/MYR	4.4730	0.14
USD/SGD	1.3862	0.35
Commodities		
WTI ($/bbl)	90.50	2.71
Brent ($/bbl)	96.59	3.14
Gold ($/oz)	1,761.10	-0.31
Copper ($$/MT)	8,031.50	1.35
Aluminum ($/MT)	2,403.00	-0.33
CPO (RM/tonne)	4,217.50	-0.57

Source: Bloomberg, HLBB Global Markets Research

Eurozone's consumer inflation at record high:

- The Eurozone's July HICP inflation was unrevised at a record high of 8.9% y/y in a final report, accelerating from 8.6% y/y in June, thanks to surging energy and food prices. The core CPI rate was also at an all-time high of 4.0% y/y, up from 3.7% in June. The elevated inflation came as the single-currency bloc is facing higher risk of a recession and an energy crisis ahead of winter, but may prompt the ECB to follow up with another 50bp rate hike next month.

UK consumer confidence level hit rock-bottom:

- UK consumer confidence deteriorated further this month as the elevated inflation continued to spur household's cost-of-living. The GfK Consumer Confidence Index hit a record low of -44 in August, down from -41 in July. The gauge of major purchases dropped to -38 (Jul: -34) while consumers further downgraded their personal finance outlook for the next 12 months (-31 vs -26 prior). The latest CPI inflation rate for the UK had hit 10.1% in July, the highest rate thus far among major developed economies.

Japan's key price gauge breached BOJ target again:

- Japan's CPI inflation ex-fresh food accelerated to 2.4% y/y in July, from 2.2% in June. The key inflation gauge has now breached the Bank of Japan's 2% target for the fourth month in a row, putting the central bank in an awkward position as it vowed to keep interest rates at ultra-low levels to support growth. July's print was boosted by sustained increase in prices of housing, utilities, household goods as well as clothing & footwear.

Australia shed jobs in July:

- Australia's employment unexpectedly fell by 40.9k m/m in July, versus the expectations for a 25k gain. This reflects the 86.9k job losses in the full-time sectors as part-time jobs rose by 46k. The unemployment rate ticked lower to 3.4%, from 3.5% prior, driven by the lower participation rate (66.4% vs 66.8% prior) thanks to a combination of circumstances – flood in east coast of Australia, school holidays and Covid outbreak. The weaker Australia's job data spurred speculations that the RBA may revert to a regular 25bp rate hike at its next meeting.

New Zealand's goods trade deficit widened:

- New Zealand's goods trade deficit rose to NZD1.1b in July, from NZD701m prior. Deficit widened as imports rose 26% y/y to NZD7.8b while exports picked up 16% y/y to NZD6.7b. Shipments to China led the increase in exports; milk powder, butter and cheese was the largest contributor.

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
19/08	MA Exports YoY (Jul)	38.8%
	UK Retail Sales Inc Auto Fuel MoM (Jul)	-0.1%
22/08	CN 1-Year Loan Prime Rate (22 Aug)	3.7%
	MA Foreign Reserves (15 Aug)	$109.2b
	HK CPI Composite YoY (Jul)	1.8%
	US Chicago Fed Nat Activity Index (Jul)	-0.19

Source: Bloomberg

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