

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
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	4.44-4.48	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

Hong Leong Bank Berhad

Fixed Income & Economic Research, Global Markets

Level 8, Hong Leong Tower

6, Jalan Damansara

Bukit Damansara

50490 Kuala Lumpur

Tel: 603-2081 1221

Fax: 603-2081 8936

HLMarkets@hlbb.hongleong.com.my

DISCLAIMER

This report is for information purposes only and does not take into account the investment objectives, financial situation or particular needs of any particular recipient. The information contained herein does not constitute the provision of investment advice and is not intended as an offer or solicitation with respect to the purchase or sale of any of the financial instruments mentioned in this report and will not form the basis or a part of any contract or commitment whatsoever.

The information contained in this publication is derived from data obtained from sources believed by Hong Leong Bank Berhad ("HLBB") to be reliable and in good faith, but no warranties or guarantees, representations are made by HLBB with regard to the accuracy, completeness or suitability of the data. Any opinions expressed reflect the current judgment of the authors of the report and do not necessarily represent the opinion of HLBB or any of the companies within the Hong Leong Bank Group ("HLB Group"). The opinions reflected herein may change without notice and the opinions do not necessarily correspond to the opinions of HLBB. HLBB does not have an obligation to amend, modify or update this report or to otherwise notify a reader or recipient thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

HLB Group, their directors, employees and representatives do not have any responsibility or liability to any person or recipient (whether by reason of negligence, negligent misstatement or otherwise) arising from any statement, opinion or information, expressed or implied, arising out of, contained in or derived from or omission from the reports or matter.

Potential and actual conflict of interest may arise from the activities of HLB Group. HLB Group constitute a diversified financial services group. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, hedging transactions and other activities for their own account or the account of others. In the ordinary course of their business, HLB Group may effect transactions for their own account or for the account of their customers and hold long or short positions in the financial instruments. HLB Group, in connection with its business activities, may possess or acquire material information about the financial instruments. Such activities and information may involve or have an effect on the financial instruments. HLB Group have no obligation to disclose such information about the financial instruments or their activities.

The past performance of financial instruments is not indicative of future results. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Any projections or forecasts mentioned in this report may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information. No assurance can be given that any opinion described herein would yield favourable investment results. Recipients who are not market professional or institutional investor customer of HLBB should seek the advice of their independent financial advisor prior to taking any investment decision based on the recommendations in this report.

HLBB may provide hyperlinks to websites of entities mentioned in this report, however the inclusion of a link does not imply that HLBB endorses, recommends or approves any material on the linked page or accessible from it. Such linked websites are accessed entirely at your own risk. HLBB does not accept responsibility whatsoever for any such material, nor for consequences of its use.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. This report is for the use of the addressees only and may not be redistributed, reproduced or passed on to any other person or published, in part or in whole, for any purpose, without the prior, written consent of HLBB. The manner of distributing this report may be restricted by law or regulation in certain countries. Persons into whose possession this report may come are required to inform themselves about and to observe such restrictions. By accepting this report, a recipient hereof agrees to be bound by the foregoing limitations.