Hong Leong Bank

22 August 2022

Global Markets Research

Daily Market Highlights

22 Aug: Fed Jackson Hole Symposium in focus

US stocks fell on Friday, yields shifted higher

Markets digested hawkish Fed officials' remarks

Dollar bulls continued to dominate market

- US stocks fell on Friday and closed out the week lower as the market weighed the Fed officials' remarks that suggest the central bank could maintain its aggressive pace of policy tightening ahead of this week's Jackson Hole Symposium (25-27 August).

- St. Louis Fed President James Bullard said that he would be in favour of a 75bp rate hike at the next FOMC meeting in September while San Francisco Fed President Mary Daly said that a 50bp or 75bp rate hike would be "reasonable".

- The Dow Jones fell 0.9% while the S&P 500 shed 1.3%. NASDAQ recorded a 2.0% decline. For the week, all three benchmarks lost 0.2-2.6%. Meanwhile, US treasury yields shifted higher by 3-9bps led by the longer tenor on Friday; the benchmark 2Y UST yield rose 3bps to 3.23% while the 10Y yield jumped 9bps higher to 2.97%.

- The dollar bulls stayed extended for the third straight day as it strengthened against all G10s, reflected in the continued rally in the DXY to 108.17 (+0.6%), its highest since 14-July. In the G10 basket, the kiwi lost the most by over 1.0%, the worst performing among commodity currencies, vs the 0.6% decline in AUD and 0.4% losses in the CAD. The GBP lost 0.9% while the EUR weakened 0.5%. JPY was down by 0.8% while the CHF saw a smaller loss of 0.3%, although both are haven currencies.

- Earlier, Asian currencies weakened against the greenback. Losses were led by CNY (-0.5%), followed by SGD (-0.4%), KRW (-0.4%) and THB (-0.2%). MYR slipped 0.1% to 4.4775.

- Oil prices tumbled in Asian and early European trading hours on Friday as a stronger dollar, the potential Iran nuclear deal and fear over a global economic slowdown outweighed a recent sharp draw in US inventory. Oil however erased all losses to end the day in positive territory. Brent crude inched up 0.1% to 96.72/ barrel while the WTI climbed 0.3% higher to $90.77/ barrel.

- Russia's Gazprom said that it will halt the transport of natural gas to Europe via the Nord Stream 1 Pipeline for three days at the end of this month for routine maintenance, further deepening the European energy crisis.

UK retail sales rebounded in July:

- The UK retail sales rose by 0.3% m/m in July after the 0.2% m/m decline in June. In the three months to July, sales volumes fell by 1.2% when compared to the previous three months, extending the downward trend since summer 2021. Online sales (+4.8% m/m) boosted the overall sales due to a range of

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	33,706.74	-0.86
S&P 500	4,228.48	-1.29
NASDAQ	12,705.21	-2.01
Stoxx Eur 600	437.36	-0.77
FTSE 100	7,550.37	0.11
Nikkei 225	28,930.33	-0.04
Hang Seng	19,773.03	0.05
Straits Times	3,246.51	-0.82
KLCI 30	1,504.44	-0.80
FX		
Dollar Index	108.17	0.64
EUR/USD	1.0037	-0.50
GBP/USD	1.1829	-0.85
USD/JPY	136.97	0.79
AUD/USD	0.6875	-0.61
USD/CNH	6.8358	0.48
USD/MYR	4.4775	0.10
USD/SGD	1.3920	0.42
Commodities		
WTI ($/bbl)	90.77	0.30
Brent ($/bbl)	96.72	0.13
Gold ($/oz)	1,753.00	-0.46
Copper ($$/MT)	8,078.50	0.59
Aluminum ($/MT)	2,386.00	-0.71
CPO (RM/tonne)	4,158.00	-1.41

Source: Bloomberg, HLBB Global Markets Research promotions as the trend in other sectors were less positive. Automotive sales fell by 0.9% m/m as heatwave in the UK reduced travelling while non-food store sales fell 0.7% m/m. Food store sales only picked up 0.1% m/m.

Hefty increase in Malaysia's external trade:

- Malaysia's exports continued to increase at a hefty double-digit pace for the 12th straight month, sustaining a 38.0% y/y growth in July (Jun: +38.8%), largely within ours as well as market estimates. Growth was broad-based across all key product categories and geographical markets, albeit at varying speed.
- Meanwhile, imports grew at an even faster pace of 41.9% y/y in July (Jun: +49.3%), driven by continued double-digit increases all import categories, led by consumption goods (+33.2% y/y). This marked a strong start to 3Q and added to signs of continued healthy recovery in private consumption. On a month-on-month basis, exports and imports fell 8.2% and 4.5% m/m respectively, trimming the trade surplus to RM15.5bn (Jun: RM21.9bn)

House View and Forecasts

FX	This Week	3Q-22	4Q-22	1Q-23	2Q-23
DXY	106-109	106.00	105.00	103.00	102.00
EUR/USD	1.00-1.02	1.02	1.03	1.05	1.04
GBP/USD	1.18-1.22	1.21	1.22	1.24	1.23
USD/JPY	134-138	138.00	135.00	133.00	132.00
AUD/USD	0.68-0.72	0.67	0.69	0.70	0.70
USD/MYR	4.45-4.49	4.42	4.40	4.38	4.35
USD/SGD	1.37-1.40	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
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
23/08	JP Jibun Bank Japan PMI Services (Aug P)	50.3
	JP Jibun Bank Japan PMI Mfg (Aug P)	52.1
	SG CPI YoY (Jul)	6.7%
	EZ S&P Global Eurozone Manufacturing PMI (Aug P)	49.8
	EZ S&P Global Eurozone Services PMI (Aug P)	51.2
	UK S&P Global/CIPS UK Manufacturing PMI (Aug P)	52.1
	UK S&P Global/CIPS UK Services PMI (Aug P)	52.6
	US S&P Global US Manufacturing PMI (Aug P)	52.2
	US S&P Global US Services PMI (Aug P)	47.3
	US Richmond Fed Manufact. Index (Aug)	0
	EZ Consumer Confidence (Aug P)	-27
	US New Home Sales MoM (Jul)	-8.1%

Source: Bloomberg

Hong Leong Bank Berhad
Fixed Income & Economic Research, Global Markets
Level 8, Hong Leong Tower
6, Jalan Damanlela
Bukit Damansara
50490 Kuala Lumpur
Tel: 603-2081 1221
Fax: 603-2081 8936
HLMarkets@hlbb.hongleong.com.my

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