23 August 2022

Global Markets Research

Daily Market Highlights

23 Aug: Global markets brace for hawkish Fed

US stock benchmarks closed lower; 10Y yield back above 3%

Dollar displayed absolute strength; euro dipped beneath parity

Oil fell modestly as Saudi warned of production cut

- US stocks sold off and treasury yields jumped overnight as investors brace for more hawkish remarks by Fed officials particularly that of the Fed chair Jerome Powell at the coming Jackson Hole Symposium. The Dow Jones fell 1.9%, the S&P 500 lost 2.1% and NASDAQ shed 2.6%.

- Treasuries bear-flattened as yields rose 1-9bps across the curve, led by shorter maturities. The yield on the benchmark 2Y UST advanced 7bps to 3.31%; the 10Y yield rose 4bps to 3.02%.

- The dollar strength extended to the fourth consecutive session alongside higher UST yields. The dollar index climbed 0.8% to 109.05. G10 currencies (except AUD) slumped against the greenback and notably the EUR slipped below parity to 0.9943 (-0.9%), its lowest level in nearly 20 years. CHF, GBP and CAD lost 0.5% while JPY fell 0.4%.

- Asian-ex-Japan currencies dipped as well early in the day with losses led by THB (-1.1%) and KRW (-1.0%). Offshore RMB fell 0.5% as Chinese banks cut rates. SGD weakened 0.5% as well while MYR traded 0.2% lower at 4.4860.

- Oil prices were relatively resilient despite the broad risk aversion; Brent fell modestly (-0.3%) to $96.48/barrel while WTI held on to $90 level (-0.6%) as Saudi Energy Minister warned that OPEC+ may be forced to cut production due to the disconnection between the physical and paper markets.

- Chinese banks cut the 1Y loan prime rate by 5bps to 3.65% while the 5Y loan prime rate was reduced by 15bps to 4.30%. The latter formed the basis of most home mortgage rates, indicating the intention to ease borrowers' burden.

US Chicago Fed National Activity Index posted positive reading:

- The Chicago Fed National Activity Index rebounded to +0.27 in July, from -0.25 In June, pointing to a pick-up in economic growth last month. The improvement reflects positive contribution from all four major indicators (production, sales, employment as well as personal consumption & housing).

Hong Kong's inflation rose slightly in July:

- Hong Kong's CPI inflation rose to 1.9% y/y in July (Jun: +1.8%) but missed the consensus forecast of 2.0%. The core inflation (excluding government's one-off relief measures) also advanced to 1.9% y/y (Jun: +1.8%), reflecting continued increases in food, energy-related items and clothing & footwear. A government spokesperson said that underlying inflation remained moderate in overall terms; the external price pressures are likely to remain notable but domestic cost pressures should continue to be mild.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	33,063.61	-1.91
S&P 500	4,137.99	-2.14
NASDAQ	12,381.57	-2.55
Stoxx Eur 600	433.17	-0.96
FTSE 100	7,533.79	-0.22
Nikkei 225	28,794.50	-0.47
Hang Seng	19,656.98	-0.59
Straits Times	3,262.57	0.49
KLCI 30	1,487.37	-1.13
FX		
Dollar Index	109.05	0.81
EUR/USD	0.9943	-0.94
GBP/USD	1.1767	-0.52
USD/JPY	137.48	0.37
AUD/USD	0.6877	0.03
USD/CNH	6.8678	0.47
USD/MYR	4.4860	0.19
USD/SGD	1.3981	0.44
Commodities		
WTI ($/bbl)	90.23	-0.59
Brent ($/bbl)	96.48	-0.25
Gold ($/oz)	1,734.00	-0.78
Copper ($$/MT)	8,027.00	-0.64
Aluminum ($/MT)	2,390.50	0.19
CPO (RM/tonne)	4,163.00	0.12

Source: Bloomberg, HLBB Global Markets Research

Malaysia's foreign reserves at $110.9b:

- Malaysia's international reserves rose to $110.9b as at 15 August, from $109.2b prior, which is sufficient to finance 5.5 months of retained imports and is 1.1 times external debt.

House View and Forecasts

FX	This Week	3Q-22	4Q-22	1Q-23	2Q-23
DXY	106-108	106.00	105.00	103.00	102.00
EUR/USD	1.00-1.02	1.02	1.03	1.05	1.04
GBP/USD	1.19-1.22	1.21	1.22	1.24	1.23
USD/JPY	133-136	138.00	135.00	133.00	132.00
AUD/USD	0.69-0.72	0.67	0.69	0.70	0.70
USD/MYR	4.45-4.49	4.42	4.40	4.38	4.35
USD/SGD	1.37-1.39	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
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%
24/08	JP Machine Tool Orders YoY (Jul F)	5.5%
	US MBA Mortgage Applications (19 Aug)	-2.3%
	US Durable Goods Orders (Jul P)	2.0%
	US Cap Goods Orders Nondef Ex Air (Jul P)	0.7%
	US Pending Home Sales MoM (Jul)	-8.6%

Source: Bloomberg

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