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Global Markets Research

Daily Market Highlights

24 Aug: PMI weakened across developed economies

Dow and S&P 500 fell; 10Y UST yield cemented position above 3.0%

FX market corrected from recent USD rally; oil prices jumped nearly 4.0%

Business activity weakened in the US, Eurozone, UK & Japan

- US major stock benchmarks finished lower or unchanged overnight as investors anticipate the annual Fed retreat at Jackson Hole while digesting a slew of weak PMI data for developed economies. The Dow Jones fell 0.5% while the S&P 500 shed 0.2%; tech-focus NASDAQ was unchanged. Stocks had plunged earlier in Europe and Asia.
- Treasuries traded on a mixed note; short-term maturities ended slightly richer with the 2Y benchmark UST yield last seen at 3.30% on Tuesday (-1bp). The 10Y yield cemented its position above 3% at 3.05% (+3bps).
- The currency market corrected from the most recent dollar strength. The greenback weakened against all G10 majors with gains led by commodity currencies (NOK, AUD, CAD and NZD rose 0.8-1.2%) amid higher oil prices. EUR/USD rebounded 0.3% but remained below parity. GBP gained 0.6% while JPY rose 0.5%. The dollar index gave up half of Monday's gain to close at 108.62 (-0.4%).
- Asian-ex-Japan currencies saw mixed performances earlier. Losers include KRW, TWD and THB. Gainers are SGD (+0.4%) and IDR (+0.3%); MYR was little changed (-0.06%) at 4.4885. The strength in the rupiah came after Bank Indonesia announced a pre-emptive 25bp rate hike that brought the 7D reverse repo rate to 3.75% in anticipation of a planned fuel price increase.
- Oil benchmarks rallied 3.9% on Saudi Energy Minister's warning of a production cut. Brent crude climbed to \$100.22/barrel while WTI settled at \$93.74/barrel.

US new home sales plunged in July:

- New home sales in the US fell 12.6% m/m in July, versus the consensus estimate of -2.5% m/m. This followed the 7.1% decline in June and marked its sixth decline this year, as the Federal Reserve's policy tightening, weaker economic outlook and elevated inflation continued to weigh on the housing market.
- The Richmond Fed Manufacturing Index slipped to -8 in August (Jul: 0), reflecting weaker shipment and new orders and contributing to evidence that the US manufacturing sector is slowing.

PMI indicates weakening activity across developed countries:

- A series of PMI readings by S&P Global showed that business activity is weakening in the US, Eurozone, UK and Japan. In the US and Japan, manufacturing PMI held up above 50 but turned in weaker while both countries' services PMI slumped beneath 50 to indicate contraction.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	32,909.59	-0.47
S&P 500	4,128.73	-0.22
NASDAQ	12,381.30	0.00
Stoxx Eur 600	431.35	-0.42
FTSE 100	7,488.11	-0.61
Nikkei 225	28,452.75	-1.19
Hang Seng	19,503.25	-0.78
Straits Times	3,246.21	-0.50
KLCI 30	1,482.57	-0.32
FX		
Dollar Index	108.62	-0.39
EUR/USD	0.9970	0.27
GBP/USD	1.1836	0.59
USD/JPY	136.77	-0.52
AUD/USD	0.6931	0.79
USD/CNH	6.8544	-0.20
USD/MYR	4.4885	0.06
USD/SGD	1.3921	-0.43
Commodities		
WTI (\$/bbl)	93.74	3.89
Brent (\$/bbl)	100.22	3.88
Gold (\$/oz)	1,746.80	0.74
Copper (\$\$/MT)	8,120.00	1.16
Aluminum (\$/MT)	2,424.00	1.40
CPO (RM/tonne)	4,214.50	1.24

Source: Bloomberg, HLBB Global Markets Research

- In the Eurozone and UK, the situation was reversed. Manufacturing PMI came in below 50 as factories struggled with high energy prices. Services managed to remain above 50 but also weaker.

Eurozone's consumer confidence remained negative:

- The preliminary European Commission Consumer Confidence Index improved to -24.9 in August (Jul: -27.0) but the negative level reflects continuously pessimistic sentiment amid a continental energy crisis while risk of recession heightens.

Singapore's CPI inflation gained traction:

- Singapore's CPI inflation accelerated to 7.0% y/y in July, up from 6.7% in June. This is in line with the consensus forecast core inflation rose to 4.8% y/y (Jun: +4.4%), besting the consensus estimates of 4.7%. Price increases were broad-based, led by transport, food, clothing & footwear as well as housing & utilities. The heated inflation bolstered the case for another MAS policy tightening in October.

House View and Forecasts

FX	This Week	3Q-22	4Q-22	1Q-23	2Q-23
DX	106-110	106.00	105.00	103.00	102.00
EUR/USD	0.99-1.02	1.02	1.03	1.05	1.04
GBP/USD	1.16-1.20	1.21	1.22	1.24	1.23
USD/JPY	134-138	138.00	135.00	133.00	132.00
AUD/USD	0.68-0.71	0.67	0.69	0.70	0.70
USD/MYR	4.46-4.50	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
24/08	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%
25/08	HK Exports YoY (Jul)	-6.4%
	US Initial Jobless Claims (20 Aug)	250k
	US GDP Annualized QoQ (2Q S)	-0.9%
	US Kansas City Fed Manf. Activity (Aug)	13

Source: Bloomberg

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