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Global Markets Research

Daily Market Highlights

25-July: Business activity weakened in key economies

US stocks ended three-day rally on Friday; losses led by tech shares

Treasury yields retreated further; dollar traded weaker against JPY, CHF

Composite PMIs for US and Eurozone dipped below 50

- US stocks halted a three-day rally and closed lower on Friday as deteriorating US PMI data and weak corporate earnings bolstered recession talks ahead of this week's FOMC meeting.

- The Dow Jones closed 0.4% lower; the S&P 500 fell 0.9%, with the heaviest losses seen in the tech sectors; NASDAQ lost 1.9%. Snap Inc.'s share price plummeted 39% in a single session as the company's weakest-ever quarterly sales spurred fresh concerns over a slowdown in digital advertising. On a weekly basis, all major benchmarks managed to close 2-3% higher.

- UST yields pulled back further (7-14bps) for the second consecutive session amid a synchronized retreat in global bond yields. The benchmark 10Y UST yield dipped 13bps to 2.75% while the highly watched 2Y10Y part of the yield curve remained inverted.

- The dollar traded mixed against G10 majors on Friday. JPY (+0.9%) notched the top spot in the G10 basket, followed by CHF (+0.4%) thanks to haven bids. EUR depreciated 0.2% against USD alongside CAD (-0.4%) while GBP was flat (+0.03%). The dollar index closed lower for the second successive session at 106.73 (-0.2%).

- In Asia-ex-Japan, THB rebounded by 0.6% and led the broad-based gains versus the dollar. CNY picked up 0.2% and SGD was slightly higher by 0.1%. MYR rose 0.1%, closing at 4.4525. KRW (-0.4%) and TWD (-0.1%) were the only losers on Friday.

- Oil edged down for the third day as traders mulled weaker growth outlook. Brent crude shed 0.6% to $103.20/barrel and WTI fell 1.7% to $94.70/barrel.

Business activity fell in July amid mounting recession fear:

- A series of PMI readings for key developed economies showed that business activity and operating conditions weakened in July as concerns for recession gathered speed. Notably, the S&P Global composite PMI for the US and Eurozone both fell below 50 this month, indicating a deterioration in business conditions. Readings for the UK and Japan remained at an expansionary level but showed signs of weakening.
- The US manufacturing PMI fell to 52.3 (Jun: 52.7) while services PMI dipped to 47 (Jun: 52.7)
- The Eurozone manufacturing PMI slipped to 49.6 (Jun: 52.1) and the services gauge weakened as well but still held up at 50.6 (Jun: 53.0)
- The UK manufacturing gauge came in slightly lower at 52.3 (Jun: 52.7) and services PMI remained at a relatively positive level of 53.3 (Jun: 54.3).

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	31,899.29	-0.43
S&P 500	3,961.63	-0.93
NASDAQ	11,834.11	-1.87
Stoxx Eur 600	425.71	0.31
FTSE 100	7,276.37	0.08
Nikkei 225	27,914.66	0.40
Hang Seng	20,609.14	0.17
Straits Times	3,181.34	0.92
KLCI 30	1,465.80	1.07
FX		
Dollar Index	106.73	-0.17
EUR/USD	1.0213	-0.17
GBP/USD	1.1999	0.03
USD/JPY	136.12	-0.90
AUD/USD	0.6929	-0.07
USD/CNH	6.7669	-0.06
USD/MYR	4.4525	-0.13
USD/SGD	1.3881	-0.12
Commodities		
WTI ($/bbl)	94.70	-1.71
Brent ($/bbl)	103.20	-0.64
Gold ($/oz)	1,727.40	0.82
Copper ($$/MT)	7,452.50	1.78
Aluminum ($/MT)	2,475.50	2.27
CPO (RM/tonne)	3,810.50	-3.85

Source: Bloomberg, HLBB Global Markets Research

- Japan's manufacturing PMI eased to 52.2 in July (Jun: 52.7) while the services PMI also dipped to 51.2 (Jun: 54.0).

UK retail sales fell in June as inflation stifled spending:

- Retail sales in the UK fell 0.1% m/m in June while May's revised data also showed a larger decline of 0.8% m/m. The stronger sales at food stores (+3.1%) helped offset partially the broad-based decline in most categories. Auto fuel sales (-4.3%), apparels (-4.7%) and online sales (-3.7%) recorded fairly large decreases. Compared to a year ago, retail sales volume was 5.8% lower y/y (May: -4.7%), marking its third decline in a row, highlighting the impact of inflation on retail consumption.

Malaysia's CPI inflation jumped to 3.4%; FX reserves fell as ringgit weakened:

- Malaysia's CPI inflation rate picked up steam for the third straight month in June, to 3.4% y/y, versus 2.8% y/y in May. This was slightly above ours as well as the market consensus estimates of 3.2%. The pick-up was broad-based across food and non-food categories, as well as services, adding to signs that inflationary pressure is not only building up but also becoming more widespread in the system. Core CPI also came in markedly higher at 3.0% y/y (May: +2.4%).
- A separate report shows that Malaysia's foreign reserves dropped further to $107.0b as at 15 July, from $109.0b prior and marked its lowest level since December 2020. Reserves have continued to fall this year as the ringgit traded weaker against the dollar. The latest position is sufficient to finance 5.7 months of retained imports and is 1.1 times short-term 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	1.00-1.03	1.02	1.03	1.05	1.04
GBP/USD	1.18-1.20	1.21	1.22	1.24	1.23
AUD/USD	0.68-0.70	0.67	0.69	0.70	0.70
USD/JPY	136-138	138.00	135.00	133.00	132.00
USD/MYR	4.45-4.47	4.42	4.40	4.38	4.35
USD/SGD	1.38-1.39	1.40	1.38	1.37	1.36

Rates, %	Current	3Q-22	4Q-22	1Q-23	2Q-23
Fed	1.50-1.75	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	1.25	1.75	2.00	2.00	2.00
RBA	1.35	1.60	1.85	1.85	1.85
BOJ	-0.10	-0.10	-0.10	-0.10	-0.10
BNM	2.25	2.50	2.75	2.75	2.75

Source: HLBB Global Markets Research

Up Next

Date	Events	Prior
25/07	SG CPI YoY (Jun)	5.6%
	HK Exports YoY (Jun)	-1.4%
	US Chicago Fed Nat Activity Index (Jun)	0.01
	US Dallas Fed Manf. Activity (Jul)	-17.7
26/07	SG Industrial Production YoY (Jun)	13.8%
	US FHFA House Price Index MoM (May)	1.6%
	US S&P CoreLogic CS 20-City YoY NSA (May)	21.23%
	US Richmond Fed Manufact. Index (Jul)	-11.0
	US Conf. Board Consumer Confidence (Jul)	98.7
	US New Home Sales MoM (Jun)	10.7%

Source: Bloomberg

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