25 August 2022

Global Markets Research

Daily Market Highlights

25 Aug: Stocks rose and bonds sold off

US stocks climbed modestly ahead of Powell's Jackson Hole speech

Global bond yields marched higher; USD regained favour

Oil prices advanced further on lower US crude stockpiles

- US stocks rose modestly, lifting all major indexes overnight ahead of Fed Chair Jerome Powell's Jackson Hole speech. The Dow Jones rose 0.2% and the S&P 500 picked up 0.3% while NASDAQ outperformed slightly with a 0.4% gain. Earlier, equities went up in Europe and saw mixed performances in Asia.

- Global bond yields climbed, particularly in the UK on expectations that central banks would tighten policy aggressively to combat inflation. The selloff in US treasuries were broad-based as traders awaited Powell's potentially hawkish remarks, with the 2Y benchmark UST yield ending 6bps higher at 3.39%. The 10Y benchmark yield advanced for the fourth consecutive session to 3.11% (+6bps).

- USD regained investors' favour amid higher UST yields. Among the G10 majors, EUR and CAD traded marginally lower against the greenback with the former remaining below parity. GBP, JPY and AUD weakened 0.3%. The dollar index rose slightly (+0.05%) to 108.68.

- Asian currencies traded on a mixed note against the dollar. The Chinese yuan (both onshore and offshore) fell the most (0.3-0.4%), followed by TWD (-0.2%) and SGD (-0.1%). Gainers are KRW (+0.3%) and THB (+0.2%). MYR was marginally higher (+0.07%) at 4.4850.

- Oil extended gains as official US data reported lower US crude stockpiles and the US exported a record number of crude and refined products. WTI gained 1.2% to $94.89/barrel while Brent crude added 1.0% to $101.22/barrel.

US durable goods orders unchanged from strong levels:

- Durable goods orders in the US were flat in July after the strong reading in June (+2.2% m/m), suggesting that business activity was sustained at the robust level seen in the previous month albeit missing forecasts (+0.8%). The core capital orders (a gauge of business capex) managed to post a 0.4% m/m increase (Jun: +0.9%) but the softer reading points to further slowdown in capex as the US economic outlook weakened.

US housing data continued to soften:

- Pending home sales fell 1.0% m/m in July, extending from the sharp 8.9% decline in June. Contract signings, a leading indicator for existing home sales, have now plunged for the sixth time this year, highlighting the impact of higher mortgage rates on the housing market.
- The MBA mortgage applications also dropped by 1.2% w/w for the week ended 19 August (prior: -2.3%) as both purchases and refinancing applications were down. The average rate for a fixed-rate 30Y mortgage contract rose to 5.65% (prior: 5.45%). A year ago, it was at 3.0%.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	32,969.23	0.18
S&P 500	4,140.77	0.29
NASDAQ	12,431.53	0.41
Stoxx Eur 600	432.05	0.16
FTSE 100	7,471.51	-0.22
Nikkei 225	28,313.47	-0.49
Hang Seng	19,268.74	-1.20
Straits Times	3,233.48	-0.39
KLCI 30	1,467.26	-1.03
FX		
Dollar Index	108.68	0.05
EUR/USD	0.9967	-0.03
GBP/USD	1.1799	-0.31
USD/JPY	137.12	0.26
AUD/USD	0.6909	-0.32
USD/CNH	6.8774	0.34
USD/MYR	4.4850	-0.07
USD/SGD	1.3939	0.13
Commodities		
WTI ($/bbl)	94.89	1.23
Brent ($/bbl)	101.22	1.00
Gold ($/oz)	1,752.00	0.03
Copper ($$/MT)	8,034.50	-1.05
Aluminum ($/MT)	2,430.00	0.25
CPO (RM/tonne)	4,209.50	-0.12

Source: Bloomberg, HLBB Global Markets Research

House View and Forecasts

FX	This Week	3Q-22	4Q-22	1Q-23	2Q-23
DXY	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
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
26/08	NZ ANZ Consumer Confidence MoM (Aug)	1.7%
	MA CPI YoY (Jul)	3.4%
	SG Industrial Production YoY (Jul)	2.2%
	US Advance Goods Trade Balance (Jul)	-$98.6b
	US Personal Income (Jul)	0.6%
	US Personal Spending (Jul)	1.1%
	US PCE Core Deflator YoY (Jul)	4.8%
	US U. of Mich. Sentiment (Aug F)	55.1

Source: Bloomberg

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