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Global Markets Research

Daily Market Highlights

26-July: Mixed market sentiments ahead of FOMC

US stocks closed on mixed note; dollar index fell for third straight session

UST yields rose ahead of FOMC while global bond yields fell

Russia cut gas supply to Germany to 20% capacity; oil rose on tight supply

- US stock benchmarks closed on a mixed note on Monday as traders turned cautious ahead of this week's FOMC meeting. The Dow Jones (+0.3%) rose modestly alongside the S&P 500 (+0.1%) while the NASDAQ fell 0.4%. Equities mostly rose in Europe earlier and were in the red in Asia.
- America's largest retailer Walmart cut its profit guidance for 2Q22 and FY23, blaming high food and fuel inflations that stifle consumer consumption and the need for the company to mark down goods' prices.
- Bond yields rose in the US and fell in other countries. UST yields rose 4-5bps in anticipation of Fed rate hike. The benchmark 2Y UST yield rose 5bps to 3.02% and the 10Y yield also gained 5bps to 2.80%.
- The greenback recorded mixed performance against the G10 majors. Gainers include most commodity linked currencies (NOK, CAD & AUD) as well as GBP and SEK. EUR closed marginally higher (+0.07%). JPY (-0.4%) and CHF (-0.2%) depreciated. The dollar index retreated for the third consecutive session to 106.48 (-0.2%).
- Asian-ex-Japan currencies were flat or appreciated moderately against the dollar. PHP rose the most by 0.4%, followed by CNH (+0.2%) and THB (+0.2%). SGD picked up 0.1% while MYR (-0.02%) was virtually unchanged at 4.4530.
- European natural gas prices jumped as Russian state-owned Gazprom said it would cut natural gas supply to Germany through the Nord Stream pipeline from the current 40% to 20% starting Wednesday, citing turbines' problems caused by sanctions. WSJ reported that wholesale European gas prices jumped 12% to €179/MWh. Crude oil prices rebounded on tight supplies despite expectations of a global economic slowdown. WTI jumped 2.1% to \$96.70/barrel and Brent crude picked up 1.9% to \$105.15/barrel.

Weaker Dallas Fed manufacturing index:

- The Dallas Fed Manufacturing Index, a gauge of Texas' factory conditions, turned more negative at -22.6 in July, versus -17.7 in June, reflecting weaker new orders.
- Meanwhile, the Chicago Fed National Activity was unchanged at -0.19 in June (May: -0.19), marking its second negative reading in a row. The negative value points to below average growth in June.

Hong Kong's exports fell in June:

- Hong Kong's exports fell 6.4% y/y in June, extending from the 1.7% decline in May. This was driven by further fall in shipments to mainland China and Japan as well as renewed decrease to the US. Imports rose 0.5% y/y in the same

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	31,990.04	0.28
S&P 500	3,966.84	0.13
NASDAQ	11,782.67	-0.43
Stoxx Eur 600	426.25	0.13
FTSE 100	7,306.30	0.41
Nikkei 225	27,699.25	-0.77
Hang Seng	20,562.94	-0.22
Straits Times	3,180.47	-0.03
KLCI 30	1,469.22	0.23
FX		
Dollar Index	106.48	-0.23
EUR/USD	1.0220	0.07
GBP/USD	1.2043	0.37
USD/JPY	136.69	0.42
AUD/USD	0.6955	0.38
USD/CNH	6.7521	-0.22
USD/MYR	4.4532	0.02
USD/SGD	1.3865	-0.12
Commodities		
WTI (\$/bbl)	96.70	2.11
Brent (\$/bbl)	105.15	1.89
Gold (\$/oz)	1,719.10	-0.48
Copper (\$\$/MT)	7,479.00	0.36
Aluminum (\$/MT)	2,408.50	-2.71
CPO (RM/tonne)	3,820.50	0.26

Source: Bloomberg, HLBB Global Markets Research

month (May: +1.3%) and the trade deficit widened to HKD68.5b (May: -HKD36.7b).

Singapore's inflation surged again in June:

- Singapore's all-item CPI inflation surged to 6.7% y/y in June, up from 5.6% previously and much higher than the consensus forecast of 6.2%. The core CPI rate also beat analyst expectation, at 4.4% y/y in June (May: +3.6%), highlighting the further build-up in price pressure, driven by imported inflation and reopening related demand on the domestic front. This gave rise to speculations that the MAS may soon again tighten monetary policy way ahead of its scheduled October meeting.

House View and Forecasts

FX	This Week	3Q-22	4Q-22	1Q-23	2Q-23
DX	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
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%
27/07	CH Industrial Profits YoY (Jun)	-6.5%
	AU CPI YoY (2Q)	5.1%
	US MBA Mortgage Applications (22 Jul)	-6.3%
	US Advance Goods Trade Balance (Jun)	-\$104.3b
	US Durable Goods Orders (Jun P)	0.8%
	US Cap Goods Orders Nondef Ex Air (Jun P)	0.6%
	US Pending Home Sales MoM (Jun)	0.7%

Source: Bloomberg

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