26 August 2022

## Global Markets Research
## Daily Market Highlights

# 26 Aug: Stocks & bonds rose before Powell's speech

### US stocks pushed by late afternoon rally; treasury yields ended lower
### Dollar weakened against all currencies; AUD outperformed on China's stimulus
### US GDP contracted less than initially estimated; initial jobless claims fell

- US stocks ended much higher overnight, thanks to a late afternoon rally as investors parsed Federal Reserve officials' remarks at the Jackson Hole Symposium. The main focus remains on Chair Jerome Powell's speech tonight. The Dow Jones rose nearly 1.0% while the S&P 500 and NASDAQ gained 1.5% and 1.7% respectively.

- Treasuries rose after an auction of $37b 7Y notes attracted stronger-than-expected demand, ending the days-long selloff that saw yields rising to the highest levels since June. Yields fell across the board, led by the long end. The benchmark 10Y UST yield fell 8bps to 3.03% while 2Y yield edged down 2bps to 3.37%.

- The dollar index was 0.2% lower at 108.47 as the greenback weakened modestly against all G10 counterparts. The AUD (+1.0%) outperformed thanks as China unveiled a policy package that included a RMB300b credit support.

- The EUR rose marginally (+0.08%) and remained below parity as investors digested the ECB meeting minutes that showed some policy makers preferring a 25bp rate hike (instead of the 50bp) at its July meeting. The JPY was up 0.5% alongside the lower UST yields. GBP picked up 0.3%.

- Asian currencies strengthened against the USD, led by the THB (+0.6%), KRW (+0.5%), SGD (+0.4%) and offshore RMB (+0.4%). The MYR rose 0.3% to trade at 4.4715 versus the dollar.

- Oil dropped after the two-day rally. Brent crude fell 1.9% to $99.34/barrel while WTI dipped 2.5% to $92.52/barrel.

**US GDP data revised higher; initial jobless claims fell:**

- The US second quarter economy contracted less than previously estimated according to the latest government report. The annualised GDP growth was revised higher from -0.9% q/q to -0.6% q/q. In the first quarter, GDP had shrunk by 1.6% q/q; the two consecutive contractions qualified the US to be in a technical recession.
- Initial jobless claims fell to 243k for the week ended 20 August, while the previous week's claims were also revised down to 245k. First-time claims for unemployment benefits have now fallen for the second week in a row, indicating continued labour market strength.
- The Kansas City Fed Manufacturing Index fell to 3 in August, from 13 in July, signally broadly weakening factory operating conditions.

**Key Market Metrics**

| | Level | d/d (%) |
|---|---|---|
| **Equities** | | |
| Dow Jones | 33,291.78 | 0.98 |
| S&P 500 | 4,199.12 | 1.41 |
| NASDAQ | 12,639.27 | 1.67 |
| Stoxx Eur 600 | 433.36 | 0.30 |
| FTSE 100 | 7,479.74 | 0.11 |
| Nikkei 225 | 28,479.01 | 0.58 |
| Hang Seng | 19,968.38 | 3.63 |
| Straits Times | 3,247.80 | 0.44 |
| KLCI 30 | 1,495.49 | 1.92 |
| **FX** | | |
| Dollar Index | 108.47 | -0.19 |
| EUR/USD | 0.9975 | 0.08 |
| GBP/USD | 1.1832 | 0.28 |
| USD/JPY | 136.49 | -0.46 |
| AUD/USD | 0.6981 | 1.04 |
| USD/CNH | 6.8515 | -0.38 |
| USD/MYR | 4.4715 | -0.31 |
| USD/SGD | 1.3886 | -0.38 |
| **Commodities** | | |
| WTI ($/bbl) | 92.52 | -2.50 |
| Brent ($/bbl) | 99.34 | -1.86 |
| Gold ($/oz) | 1,757.70 | 0.57 |
| Copper ($$/MT) | 8,129.00 | 1.18 |
| Aluminum ($/MT) | 2,433.50 | 0.14 |
| CPO (RM/tonne) | 4,258.50 | 1.16 |

*Source: Bloomberg, HLBB Global Markets Research*

**Hong Kong's external trade plunged:**

- Hong Kong's exports fell 8.9% y/y in July (Jun: -6.4%) as the trade disruption with China and softer global demand weighed on the Special Administrative Region's external trade. Imports also fell 9.9% y/y (Jun: +0.5%), adding to signs of weaker domestic demand.

## 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 |
|---|---|---|
| 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 |
| 29/08 | AU Retail Sales MoM (Jul) | 0.2% |
| | US Dallas Fed Manf. Activity (Aug) | -22.6 |

*Source: Bloomberg*

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