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Global Markets Research

Daily Market Highlights

27-July: Dollar regained strength ahead of FOMC

US stocks fell & UST yields rose; euro slumped 1% as dollar regained momentum

European countries agreed to cut gas usage by 15% starting August

IMF trimmed growth outlook for the third time this year

- US stocks fell on weaker economic data and corporate earnings ahead of the FOMC meeting. The Dow Jones fell 0.7% and the S&P 500 shed 1.2%. NASDAQ registered the highest losses at 1.9%. Walmart's profit guidance cut remains a major topic. The WSJ reported that General Motors' net profit fell 40% in the second quarter while Google's parent Alphabet and Microsoft both reported the slowest quarterly sales growth in two years.
- US bond yields climbed ahead of the Fed rate hike while global yields continued to slide. The benchmark 2Y UST yield rose 4bps to 3.06% after a strong auction of \$45b 2Y notes. The 10Y yield picked up 2bps to 2.81%, leaving the 2Y10Y part of the yield curve to invert further.
- The greenback was seen appreciating against all G10 majors except the CHF amid the renewed sense of risk aversion. The SEK (-1.3%) was the worst performing currency, trailed by the EUR (-1.0%). The single currency fell back to 1.0100 handle after erasing recent gains. Commodity currencies such as AUD, CAD and NZD fell by 0.2-0.5%. JPY was down by 0.2% while GBP slipped just a little by 0.1%. The dollar index jumped 0.7% to 107.19, ending a three-day losing streak.
- In Asia-ex-Japan, most currencies weakened modestly against the dollar. PHP surged 1.4%, the biggest one-day gain in 14 years as the Philippines' central bank BSP signalled another 25 or 50bp rate hike in August. The BSP had delivered a surprise 75bp rate hike two weeks ago, the boldest move thus far among South East Asian economies. Other notable Asian gainer being the KRW (+0.4%) thanks to a better-than-expected 2Q GDP growth of 2.9% y/y. SGD fell 0.2% and MYR traded 0.1% weaker at 4.4575 versus the dollar.
- Oil benchmarks fell after recent gains; WTI lost 1.8% to \$94.98/barrel and Brent crude ticked 0.71% lower to \$104.4/barrel. European countries hammered out a deal to voluntarily cut its gas usage by 15% starting August, in response to Russia's decision to reduce the Nord Stream pipeline gas supply to Europe to 20% capacity.
- The IMF trimmed its growth forecasts again and said that the risks to the outlook are "overwhelmingly tilted to the downside". Global growth is expected to be at 3.2% in 2022, compared to 3.6% forecast in April. The 2023 growth projection was also cut to 2.9%, versus 3.6% in April.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	31,761.54	-0.71
S&P 500	3,921.05	-1.15
NASDAQ	11,562.57	-1.87
Stoxx Eur 600	426.13	-0.03
FTSE 100	7,306.28	0.00
Nikkei 225	27,655.21	-0.16
Hang Seng	20,905.88	1.67
Straits Times	3,192.12	0.37
KLCI 30	1,463.69	-0.38
FX		
Dollar Index	107.19	0.66
EUR/USD	1.0117	-1.01
GBP/USD	1.2028	-0.12
USD/JPY	136.91	0.16
AUD/USD	0.6939	-0.23
USD/CNH	6.7673	0.23
USD/MYR	4.4577	0.10
USD/SGD	1.3896	0.22
Commodities		
WTI (\$/bbl)	94.98	-1.78
Brent (\$/bbl)	104.40	-0.71
Gold (\$/oz)	1,717.70	-0.08
Copper (\$\$/MT)	7,536.50	0.77
Aluminum (\$/MT)	2,421.50	0.54
CPO (RM/tonne)	3,789.00	-0.82

Source: Bloomberg, HLBB Global Markets Research

US consumer confidence weakened in July; new home sales plunged:

- The Conference Board Consumer Confidence fell to 95.7 in July (Jun: 98.4) which reflects the much weaker present situation index (-5.9pts) as the expectations index was held relatively steady (-0.5pts). The third consecutive

decline in the headline consumer gauge showed that inflation and weaker growth outlook further batter sentiment and do not bode well for consumption outlook.

- Richmond Fed Manufacturing Index rose from -9 in June to 0 in July, indicating improvement in manufacturing activity in the Fifth District.
- New home sales in the US fell 8.1% m/m in June (May: +6.3%) to a seasonally adjusted rate of 590k units, from the revised 642k units in May and marked its lowest level since April 2020, during the first pandemic disruption. This adds to more evidence that the US housing market is cooling as interest rates rose and house prices remained elevated.
- The S&P CoreLogic Case Shiller House Price Index for 20 US cities showed that house prices were 20.5% higher in May compared to a year ago, versus the 21.2% gain in April. The m/m price gain also slowed to 1.3% m/m, from 1.7% prior. A separate report by the Federal Housing Finance Agency showed that house prices rose 1.4% m/m (Apr: +1.6%) which translates to a 18.3% y/y gain.

Singapore's industrial production growth slowed in June:

- Singapore's industrial production fell 8.5% m/m in June, following the 9.2% growth in May. This in turn translates to 2.2% y/y gain (May: +10.4%). Lower pharmaceutical and chemical output were the main drivers behind the slower annual growth, as most categories continued to hold up.

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
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%
28/07	US FOMC Rate Decision (27 Jul)	1.5%-1.75%
	NZ ANZ Business Confidence (Jul)	-62.6
	AU Retail Sales MoM (Jun)	0.9%
	EC Economic Confidence (Jul)	104.0
	US GDP Annualized QoQ (2Q A)	-1.6%
	US Initial Jobless Claims (23 Jul)	--
	US Kansas City Fed Manf. Activity (Jul)	12.0

Source: Bloomberg

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