30 August 2022

Global Markets Research

Daily Market Highlights

30 Aug: Extended selloff in stocks and bonds

US equity benchmarks suffered further declines alongside weaker bonds

USD traded mixed amid thin volume; JPY slumped and EUR firmed up

Malaysia's CPI inflation hit 4.4% in July; MYR weakened to 4.4900

- The selloff in US stocks and bonds extended to Monday, as investors expect the Federal Reserves to continue hiking rates at an aggressive pace to contain inflation. The Dow Jones fell 0.6% while the S&P 500 dropped 0.7%; NASDAQ recorded the largest fall of 1.0% among the major benchmarks. Stocks tumbled in Europe and Asia on the same day.

- Treasury yields climbed across the board as investors increased bets on more rate hikes in the next FOMC meeting after Chair Powell reiterated the central bank's resolve to fight inflation last Friday at the Jackson Hole Symposium. The benchmark 2Y UST yield rose 3bps to 3.43% while the 10Y yield advanced 7bps to 3.11%.

- The dollar index was little changed (+0.03%) at 108.84 as the USD traded mixed amid thin volume. JPY suffered the biggest loss (-0.8%), slipping back towards 138-139 range as the market focused back on Fed-BOJ policy divergence.

- EUR firmed up 0.3% to 0.9997 on month-end factors and investors prepared for next week's ECB rate hike. Expectations for a 75bp rate hike have increased over the past few days following several hawkish remarks and news stories published over the weekend. GBP fell 0.3% to 1.1709 on a UK holiday.

- Asian-ex-Japan currencies weakened against the greenback in the earlier Asian, with losses led by KRW (-1.4%) and THB (-1.2%). SGD (-0.1%) was relatively resilient while MYR lost 0.5% to close at 4.4900.

- Oil rallied over 4% on the prospects of a supply shortage related to Libya's production outage as well as the recent Saudi warning to cut output. Brent crude settled 4.1% higher at $105.09/barrel and WTI jumped 4.2% to $97.01/barrel.

US Dallas Fed index turned less negative:

- The Dallas Fed manufacturing index improved to -12.9 in August (Jul: -22.6), reflecting a less negative assessment of company outlook and new orders. The survey showed that production weakened and shipment also slowed. The headline index has now stood at a negative level for the fourth consecutive months, highlighting the weakness in Texas manufacturing as the US economy slowed.

Japan's jobless rate unchanged in July:

- Japan's jobless rate was unchanged at 2.6% in July (Jun: 2.6%), indicating a resilient job market amid the current economic recovery. The labour force

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	32,098.99	-0.57
S&P 500	4,030.61	-0.67
NASDAQ	12,017.67	-1.02
Stoxx Eur 600	422.65	-0.81
FTSE 100*	7,427.31	-0.70
Nikkei 225	27,878.96	-2.66
Hang Seng	20,023.22	-0.73
Straits Times	3,222.26	-0.84
KLCI 30	1,501.57	0.09
FX		
Dollar Index	108.84	0.03
EUR/USD	0.9997	0.31
GBP/USD	1.1709	-0.30
USD/JPY	138.72	0.78
AUD/USD	0.6903	0.09
USD/CNH	6.9155	0.30
USD/MYR	4.4900	0.53
USD/SGD	1.3958	0.14
Commodities		
WTI ($/bbl)	97.01	4.24
Brent ($/bbl)	105.09	4.06
Gold ($/oz)	1,736.60	0.03
Copper ($$/MT)*	8,160.50	0.39
Aluminum($/MT)*	2,493.50	2.47
CPO (RM/tonne)	4,215.00	-1.69

Source: Bloomberg, HLBB Global Markets Research
**Closing for 26 August 2022*

participation went down slightly to 62.9% but remained near record high. The job-to-applicant ratio rose to 1.29 (Jun: 1.27).

Australia's retail sales picked up in July:

- Australia's retail sales rose 1.3% m/m in July, beating both the consensus forecast (+0.3% m/m) and June's reading (+0.2% m/m). Sales rose across nearly all sectors, led by department stores, apparel. Household goods fell for the third time within a four-month period, reflecting cautiousness to spend on larger ticket items. Nonetheless, the overall increase in sales suggests that consumer spending appears to be resilient and the RBA will proceed to tighten policy next week.

Further acceleration in Malaysia's July inflation:

- Malaysia's CPI picked up steam for the third straight month, to a 14-month high of 4.4% y/y in July, sharply higher than the 3.4% y/y increase in June. This was slightly below our forecast but in line with market consensus estimates. The quicker gain in CPI was broad-based across food and non-food categories, as well as services, confirming that inflationary pressure is not only building up but also becoming more widespread and entrenched in the system.
- Overall inflationary outlook remains skewed to the upside on a combination of factors including elevated commodity prices, adjustment in policy and subsidies, as well as the dissipating base effect. We continue to expect headline CPI to stay above the 4.0% levels before tapering towards year end, bringing the full year CPI to the upper end of the official forecast range of 2.2-3.2%. Given the growing upside risks to inflation, we expect BNM to normalize interest rates further in the next MPC meeting in September, and probably November.

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	0.99-1.01	1.02	1.03	1.05	1.04
GBP/USD	1.17-1.20	1.21	1.22	1.24	1.23
USD/JPY	135-138	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	1.38-1.40	1.40	1.38	1.37	1.36

Rates, %	Current	3Q-22	4Q-22	1Q-23	2Q-23
Fed	2.25-2.50	2.75-3.00	3.25-3.50	3.25-3.50	3.25-3.50
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
30/08	EZ Economic Confidence (Aug)	99
	US FHFA House Price Index MoM (Jun)	1.4%
	US S&P CoreLogic CS 20-City YoY NSA (Jun)	20.5%
	US Conf. Board Consumer Confidence (Aug)	95.7
	US JOLTS Job Openings (Jul)	10.7mil
31/08	JP Industrial Production MoM (Jul P)	9.2%
	JP Retail Sales MoM (Jul)	-1.3%
	NZ ANZ Business Confidence (Aug)	-56.7
	CN Manufacturing PMI (Aug)	49.0

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CN Non-manufacturing PMI (Aug)	53.8
HK Retail Sales Value YoY (Jul)	-1.2%
EZ CPI Estimate YoY (Aug)	8.9%
US MBA Mortgage Applications (26 Aug)	-1.2%
US ADP Employment Change (Aug)	128k
US MNI Chicago PMI (Aug)	52.1

Source: Bloomberg