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Global Markets Research

Daily Market Highlights

1-Dec: Powell signalled earlier end to tapering

Powell signalled the Fed's asset tapering may end earlier; heightening rate hike bets
Selloffs in equities as risk aversion returns
UST curve flattened; dollar index retreated

- US equities went through another round of sell-off again overnight after Fed Chair Powell signalled that the Fed may end asset tapering a few months earlier in lieu of persistently high inflation during his testimony to the Senate, spurring bets of an earlier rate hike. Toeing his earlier statement before the Congressional testimony that the Omicron variant poses risks to price stability and the labour market, Powell further emphasized the risks to inflation, saying it is a good time to retire the word "transitory" in describing inflation. The three US benchmark stock indices fell between 1.6-1.9% d/d and European and Asian equities ended in a sea of red.
- Renewed market jitters spurred flight to safety again, and the UST curve flattened after Powell's testimony raised rate hike bets. 10Y UST yields fell 6bps to 1.44%, back below 1.50% again. The 10Y bunds yields shed 3bps to -0.35% while the 10Y UK gilts shed 5bps to 0.81%. Gold retreated further by 0.6% to \$1771.40/ oz while oil pulled back between 3.9%-4.6%. Brent crude slipped 3.9% to \$70.57/ barrel while WTI fell 4.6% to \$66.77/ barrel.
- The Dollar Index went through a volatile day before settling 0.5% weaker at 95.90 on Tuesday, back below the 96.00 handle for the first time in eight trading days. The USD continued to trade mixed against the G10s but at a starkly different trend vs prior day's trade, stronger vs the commodity currencies and the sterling but weaker against the haven currencies CHF and JPY, as well as the EUR.
- USD/MYR made three big figures down and closed at the day-low of 4.2040 on Tuesday, down 0.8% d/d. The MYR also strengthened against all G10s and outperformed its major Asian peers. We are neutral to slightly bearish on the pair today. Yesterday's sharp move lower had reduced positive momentum and erased overbought position in the pair, while a weaker USD overnight would likely support the MYR, pushing the pair to test the 4.20 psychological support. A break of 4.20 will lead the pair towards 4.1920.

US consumer confidence and house prices eased:

- Conference Board consumer confidence softened more than expected to 109.5 in November, while October's reading was revised significantly lower at 111.6 (prior 113.8) as consumers were unnerved by broadening inflationary pressure that is expected to hamper spending going forward.
- House prices as shown by FHFA and S&P CaseShiller unexpectedly moderated, indicating the rise in house prices could have reached a plateau amid recent signs of slowing home sales. FHFA house price index eased to +0.9% m/m in September (Aug: +1.0% m/m) while the S&P CaseShiller index tapered off to +0.96% m/m in September (Aug: +1.16% m/m) and was down to 19.1% y/y (Aug: +19.7%).

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	34,483.72	-1.86
S&P 500	4,567.00	-1.90
NASDAQ	15,537.69	-1.55
Stoxx 600	462.96	-0.92
FTSE 100	7,059.45	-0.71
Nikkei 225	27,821.76	-1.63
Hang Seng	23,475.26	-1.58
Straits Times	3,041.29	-2.54
KLCI 30	1,513.98	0.23
FX		
Dollar Index	95.90	-0.46
EUR/USD	1.1338	0.42
GBP/USD	1.3300	-0.11
USD/JPY	113.15	-0.33
AUD/USD	0.7128	-0.21
USD/CNH	6.3645	-0.34
USD/MYR	4.2038	-0.82
USD/SGD	1.3650	-0.26
Commodities		
WTI (\$/bbl)	66.77	-4.55
Brent (\$/bbl)	70.57	-3.91
Gold (\$/oz)	1,771.40	-0.61

Source: Bloomberg, HLBB Global Markets Research

- MNI Chicago PMI pulled back more than expected to 61.8 in November (Oct: 68.4), its lowest expansion in nine months. Business outlook, new orders, employment, prices paid all rose at slower paces, offsetting the faster increase in production.

Record high CPI in the Eurozone:

- CPI in the Eurozone quickened more than expected to a record high of 4.9% y/y in November (Oct: +4.1%). All major price categories from food (+2.2% vs +1.9%) to energy (+27.4% vs +23.7%) and services (+2.7% vs +2.1%) saw quicker gains, adding to signs of broadening inflation. Core CPI picked up to 2.6% y/y, from 2.0% y/y in October, but what stands out in our view was the easier monthly gain of +0.5% m/m (Oct: +0.8%), which offered some tentative sign of softer price pressure.

Better than expected China PMI readings soothed slowdown concern:

- PMI manufacturing ticked up more than expected to 50.1 in November (Oct: 49.2), back above the 50 threshold signalling expansion for the first time in three months. This was driven by a commendable pick-up in output to 52.0 (Oct: 48.4). Other key components including new orders and employment also reported improvement but the readings remained in contractionary territory. Meanwhile, input and output price indices retreated, reflecting pullback in energy prices.
- Non-manufacturing PMI edged slightly lower to 52.3 in November (Oct: 52.4), staying very resilient. The services sector weakened in the wake of movement restrictions whereas the construction sector saw a jump to 59.1 in November (Oct: 56.9) spurred by kickoff of infrastructure projects.
- The broadly positive PMI readings offered relieves that the slowdown in the China economy may not be as severe as thought, and will be positive for recovery in the global economy as a whole.

Hong Kong retail sales gained steam in October:

- Retail sales grew 12.0% y/y in October, picking up more than expected from September's 7.4% gain. Jewellery, watches and clock (+23.1% y/y), wearing apparels (+10.1%), consumer durable goods (+29.5%), department store sales (+5.5%) were among the key boosts to the higher retail sales in October. Re-emergence of the Covid pandemic concerns and likely continued restrictions on international travel is expected to dampen Hong Kong's retail sales outlook going forward.

New Zealand's ANZ business confidence turned less downbeat:

- ANZ business confidence turned less pessimistic with a -16.4 reading in November (Oct: -18.1), thanks to improvement in exports and investment. Business activity outlook however deteriorated to 15.0 in November (Oct: 21.7), a sign of still subdued confidence among the business communities as uncertainties surrounding the pandemic and policy path remain.

House View and Forecasts

FX	This Week	4Q-21	1Q-22	2Q-22	3Q-22
DX	95-97	94.50	95.00	95.50	96.50
EUR/USD	1.12-1.14	1.15	1.14	1.14	1.13
GBP/USD	1.32-1.34	1.35	1.35	1.34	1.33
AUD/USD	0.70-0.72	0.72	0.71	0.71	0.70
USD/JPY	112-115	112	113	114	115
USD/MYR	4.20-4.25	4.15	4.15	4.15	4.15
USD/SGD	1.36-1.38	1.35	1.34	1.33	1.34

Policy Rate %	Current	4Q-21	1Q-22	2Q-22	3Q-22
Fed	0-0.25%	0-0.25%	0-0.25%	0-0.25%	0-0.25%
ECB	-0.50	-0.50	-0.50	-0.50	-0.50
BOE	0.10	0.10	0.10	0.10	0.25
RBA	0.10	0.10	0.10	0.10	0.10

BOJ	-0.10	-0.10	-0.10	-0.10	-0.10
BNM	1.75	1.75	1.75	1.75	1.75

Source: HLBB Global Markets Research

Up Next

Date	Events	Prior
1/12	AU GDP SA QoQ (3Q)	0.70%
	VN Markit Vietnam PMI Mfg (Nov)	52.1
	MA Markit Malaysia PMI Mfg (Nov)	52.2
	JP Jibun Bank Japan PMI Mfg (Nov F)	--
	CN Caixin China PMI Mfg (Nov)	50.6
	EZ Markit Eurozone Manufacturing PMI (Nov F)	--
	UK Markit UK PMI Manufacturing SA (Nov F)	--
	US MBA Mortgage Applications (26 Nov)	--
	US ADP Employment Change (Nov)	571k
	US Markit US Manufacturing PMI (Nov F)	--
	US Construction Spending MoM (Oct)	-0.5%
	US ISM Manufacturing (Nov)	60.8
	US U.S. Federal Reserve Releases Beige Book	
2/12	AU Exports MoM (Oct)	-6%
	AU Home Loans Value MoM (Oct)	-1.4%
	EZ Unemployment Rate (Oct)	7.4%
	SG Purchasing Managers Index (Nov)	50.8
	US Initial Jobless Claims (27 Nov)	--

Source: Bloomberg

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