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Global Markets Research

Daily Market Highlights

11-Nov: US CPI hit 30-year high in October

US equities sold off alongside treasuries

Dollar, gold advanced on risk aversion

US consumer prices rose 6.2% from a year ago

- US stocks extended decline alongside the selloff in bonds as markets reacted to the sky-high US inflation data. The Dow Jones fell 0.7% while the S&P 500 shed 0.8% amid an intensifying selling of energy and technology shares. The tech-focus NASDAQ suffered the heaviest losses of 1.7%. The US headline CPI inflation came in at 6.2% y/y; it was last seen at this level in the third quarter of 1990 spurring further concerns over the impact of surging prices on the US economy.

- US treasury yields shot up in response to the data, intensified by the poor result of a 30Y government bonds auction. Yields rose 9 to 14bps across the curve, with the 10Y UST yield picking up nearly 10bps to 1.55%.

- The dollar was boosted by the higher yields as well as the general risk-off sentiment. The USD strengthened sharply against all G10 currencies. The EUR and GBP were down by around 1.0%. The dollar index advanced by nearly 1.0% to 94.85, its sharpest single-day jump since March last year at the onset of the global pandemic.

- Earlier, USD/MYR closed little changed at 4.1530 in Wednesday's session. The sharp gain in broad USD overnight is likely to trigger a higher opening for the pair today, after which we continue to expect steadier movements for the pair in the run-up to the release of Malaysia 3Q GDP numbers on Friday. We are pencilling a small GDP contraction triggered by the lockdown measures and expect USD/MYR to trade within 4.14-4.18 this week.

- In the commodity market, gold prices advanced for the fifth consecutive session amid risk aversion. Futures jumped nearly 1.0% to $1848.3/oz. Crude oil prices reversed recent gains as the USD strengthened and investors responded to the weekly EIA's report that showed 1.0m build-up in crude stocks. Brent crude closed 2.5% lower at $82.64/barrel and WTI sold off by 3.3% to settle at $81.34/barrel.

US consumer inflation at 30-year high:

- The US consumer price index rose in October by 6.2% from a year ago, marking its fastest pace in 30 years in an expanding economy plagued by supply chain bottlenecks and solid consumer demand. The latest reading was a huge acceleration from 5.4% y/y in September and above the consensus forecast of 5.9% y/y. On a monthly basis, CPI climbed 0.9% (Sep: +0.4%), driven by increases in prices of nearly all goods and services. The prices of gasoline alone recorded a sharp m/m gain of 6.1% in October (Sep: +1.2% m/m). Meanwhile, core CPI, which stripped out the volatile food and energy categories, rose 4.6% y/y (Sep: +4.0%), reaffirming the pick-up in underlying inflation. The m/m core CPI rate was also higher at 0.6%, compared to 0.2% prior.
- Initial jobless claims fell to 267k last week (prior: 271k) as hiring activity in the US continued to outpace layoffs.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	36,079.94	-0.66
S&P 500	4,646.71	-0.82
NASDAQ	15,622.71	-1.66
Stoxx 600	483.76	0.22
FTSE 100	7,340.15	0.91
Nikkei 225	29,106.78	-0.61
Hang Seng	24,996.14	0.74
Straits Times	3,231.32	-0.37
KLCI 30	1,520.74	-0.22
FX		
Dollar Index	94.85	0.95
EUR/USD	1.1479	-0.98
GBP/USD	1.3405	-1.12
USD/JPY	113.91	0.92
AUD/USD	0.7327	-0.69
USD/CNH	6.4003	0.17
USD/MYR	4.1530	0.08
USD/SGD	1.3529	0.41
Commodities		
WTI ($/bbl)	81.34	-3.34
Brent ($/bbl)	82.64	-2.52
Gold ($/oz)	1,848.30	0.96

Source: Bloomberg, HLBB Global Markets Research

- Mortgage applications rose 5.5% w/w last week after recording a 3.3% decline previously. Both applications for purchases and refinancing rebounded from the drop in the week before.

China's inflation running hotter in October:

- China's October CPI and PPI data came in higher than consensus estimates as producers struggling with sky-high raw material prices passed the costs to consumers. The producer price index rose 13.5% y/y in October, following the 10.7% increase in the previous month. The NBS (China's statistical agency) attributed the sharp gain to imported inflation and tight domestic supply of raw materials.
- The consumer price inflation, meanwhile, accelerated to 1.5% y/y, a substantial jump from 0.7% in September. The NBS said that weather conditions and tight supply played major roles in the increase although this was partially driven by the low base effect related to waning food inflation last year.

Australia's consumer confidence rebounded in November:

- Consumer confidence in Australia improved in November, in line with the uptick in business sentiment after the end of the lockdowns in NSW and Victoria. The Westpac Consumer Confidence Index registered a small 0.6% m/m gain to 105.3, from 104.6 previously as consumer expectations for growth outlook in the year ahead turned positive. The index to gauge conditions to purchase major household items also picked up for the second month, although the outlook for family finances In the year ahead turned slightly negative.

House View and Forecasts

FX	This Week	4Q-21	1Q-22	2Q-22	3Q-22
DXY	93-95	94.50	95.00	95.50	96.50
EUR/USD	1.14-1.17	1.15	1.14	1.14	1.13
GBP/USD	1.34-1.37	1.35	1.35	1.34	1.33
AUD/USD	0.73-0.75	0.72	0.71	0.71	0.70
USD/JPY	112-115	112	113	114	115
USD/MYR	4.14-4.18	4.15	4.15	4.15	4.15
USD/SGD	1.34-1.36	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
11/11	NZ ANZ Business Confidence (Nov P)	-13.4
	UK RICS House Price Balance (Oct)	68.0%
	AU Employment Change (Oct)	-138.0k
	AU Unemployment Rate (Oct)	4.6%
	UK Industrial Production MoM (Sep)	0.8%
	UK GDP QoQ (3Q P)	5.5%
12/11	NZ BusinessNZ Manufacturing PMI (Oct)	51.4
	MA GDP YoY (3Q)	16.1%
	HK GDP YoY (3Q F)	5.4%
	EZ Industrial Production SA MoM (Sep)	-1.6%
	US JOLTS Job Openings (Sep)	10439k
	US U. of Mich. Sentiment (Nov P)	71.7

Source: Bloomberg

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