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Global Markets Research

Daily Market Highlights

01-Mar: UST yields plummeted; oil prices surged

Safe haven demand pressured US yields; 10Y UST yield slipped nearly 14bps

CHF major winner in G10 basket; commodity currencies strengthened

Brent crude closed above \$100/barrel on growing supply concerns

- US stock benchmarks ended Monday on a mixed note following a choppy session as the Russia-Ukraine confrontation continues to fuel geopolitical uncertainties. The West imposed fresh sanctions on Russia while the Russian central bank hiked its benchmark rate from 9.5% to 20.0% in an emergency move as the ruble plunged 18%.
- The Dow Jones shed 0.5% d/d and the S&P 500 lost 0.2% after volatile trading while tech-heavy NASDAQ picked up 0.4%. All three benchmarks recorded their second consecutive monthly losses ranging from 3.0% to 3.4% m/m.
- The flight to safety raised demand for US treasuries and pressured yields heavily. Yields plummeted sharply by 11.1 to 14.7bps across the curve. 10Y UST yield came down 13.7bps to 1.83%. In the FX market, safe haven currencies (CHF, JPY) strengthened with the Swiss franc (+0.9%) topping the G10 basket. Commodity currencies (AUD, NZD, CAD) rose alongside higher oil prices. Nonetheless, the DXY managed to pick up 0.1% thanks to the USD strength against EUR.
- USD/MYR ended Monday's session little changed (-0.07%) at 4.1995. We continue to expect a slight bullishness to prevail for USD/MYR in the week ahead amid geopolitical tensions, eyeing a range of 4.18-4.22. BNM is expected to extend its rate pause and neutral policy stance on 03 March given prevailing uncertainties.
- Gold futures advanced 0.7% to \$1900.7/oz. Brent crude surged 3.1% to \$100.99/barrel, its first time closing above \$100/barrel since September 2014 in response to the sanctions on Russia and growing supply concerns; the US WTI jumped 4.5% to \$95.72/barrel. Several oil-consuming countries are mulling the release of their strategic oil reserves to cushion the potential supply issue.

US goods trade deficit widened by 7% to record high:

- The US goods trade deficit widened further to another fresh record of \$107.6b in January (Feb: -\$100.5b) thanks to the record high import value (+1.7% m/m to \$262.5b) and the concurrent fall in exports (-1.8% m/m to \$154.8b). The continuous gain in imports is consistent with the solid consumer demand and strengthening labour market conditions in the US. The same advanced report also showed the 0.8% m/m gain in wholesale inventories in January (Feb: +2.3%) while retail inventories also picked up 1.9% m/m (Feb: +4.7%), adding to signs of firmer expectations for consumer demand.
- The Dallas Fed Manufacturing Index rose by 12pts in February to 14.0 (Jan: 2.0), reflecting the sharp improvement in the perception of broader business conditions in the Texas manufacturing industry. The production index shed 2pts but remained at solid level of 14.5, pointing to gain in factory activity.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	33,892.60	-0.49
S&P 500	4,373.94	-0.24
NASDAQ	13,751.40	0.41
Stoxx 600	453.11	-0.09
FTSE 100	7,458.25	-0.42
Nikkei 225	26,526.82	0.19
Hang Seng	22,713.02	-0.24
Straits Times	3,242.24	-1.59
KLCI 30	1,608.28	1.04
FX		
Dollar Index	96.71	0.10
EUR/USD	1.1219	-0.43
GBP/USD	1.3420	0.08
USD/JPY	115.00	-0.48
AUD/USD	0.7263	0.51
USD/CNH	6.3140	0.00
USD/MYR	4.1995	-0.07
USD/SGD	1.3549	0.12
Commodities		
WTI (\$/bbl)	95.72	4.51
Brent (\$/bbl)	100.99	3.12
Gold (\$/oz)	1,900.70	0.69

Source: Bloomberg, HLBB Global Markets Research

- The MNI Chicago PMI slipped by nearly 9pts in February to 56.3 in February (Jan: 65.2); the index weakened for the first time since November 2021 to an 18-month low, reflecting slower new orders and fall in production due to material shortages.

Australia's retail sales rebounded in January:

- Australia's retail sales rebounded more than expected by 1.8% m/m in January, after the 4.4% decline prior amid the Omicron outbreak in December. The stronger gain reflects the smaller impact brought about by tighter restrictions compared to the full-fledged lockdowns previously practised by Australia. Food retailing saw a sharp 2.2% increase while sales at café, restaurants declined by 0.8%, suggesting that consumers still opted not to dine in at these outlets.

New Zealand's business confidence:

- The ANZ Business Confidence dipped to -51.8 in February, from -23.2 in January, highlighting the widespread anxiety regarding the impact of Omicron. This reflects the 14-point fall in activity outlook to the negative territory as well as mostly weaker activity indicators. Inflationary pressures continued to rise as pricing intentions and inflation expectations hit record highs.

House View and Forecasts

FX	This Week	1Q-22	2Q-22	3Q-22	4Q-22
DXY	96-98	96.15	96.40	96.30	96.30
EUR/USD	1.11-1.14	1.13	1.12	1.12	1.13
GBP/USD	1.32-1.35	1.34	1.33	1.35	1.36
AUD/USD	0.70-0.72	0.72	0.72	0.74	0.75
USD/JPY	114-116	115	116	115	114
USD/MYR	4.18-4.22	4.17	4.15	4.15	4.10
USD/SGD	1.35-1.36	1.35	1.34	1.34	1.33

Rates, %	Current	1Q-22	2Q-22	3Q-22	4Q-22
Fed	0.00-0.25	0.25-0.50	0.75-1.00	1.25-1.50	1.25-1.50
ECB	-0.50	-0.50	-0.50	-0.50	-0.50
BOE	0.50	0.75	1.00	1.00	1.00
RBA	0.10	0.10	0.10	0.10	0.25
BOJ	-0.10	-0.10	-0.10	-0.10	-0.10
BNM	1.75	1.75	1.75	1.75	2.00

Source: HLBB Global Markets Research

Up Next

Date	Events	Prior
01/03	MA Markit Malaysia PMI Mfg (Feb)	50.5
	VN Markit Vietnam PMI Mfg (Feb)	53.7
	JP Jibun Bank Japan PMI Mfg (Feb F)	52.9
	AU Home Loans Value MoM (Jan)	4.4%
	CN Manufacturing PMI (Feb)	50.1
	CN Non-manufacturing PMI (Feb)	51.1
	CN Caixin China PMI Mfg (Feb)	49.1
	AU RBA Cash Rate Target (36951)	0.1%
	EZ Markit Eurozone Manufacturing PMI (Feb F)	58.4
	UK Markit UK PMI Manufacturing SA (Feb F)	57.3
	US Markit US Manufacturing PMI (Feb F)	57.5
	US Construction Spending MoM (Jan)	0.2%
	US ISM Manufacturing (Feb)	57.6
02/03	AU GDP SA QoQ (4Q)	-1.9%
	EZ CPI Estimate YoY (Feb)	5.1%
	US MBA Mortgage Applications (25 Feb)	-13.1
	SG Purchasing Managers Index (Feb)	50.6
	US ADP Employment Change (Feb)	-301k

Source: Bloomberg

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