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Global Markets Research

Daily Market Highlights

01-Apr: Risk assets retreated on sour mood

US equities ended 1Q in red; oil prices dipped as US will tap on its oil reserve

UST yield curve inverted; Safe haven currencies strengthened

US consumer spending slowed as inflation surged

- US equities dipped overnight as investors sold stocks to end the worst quarter in two years. The Dow Jones dropped 550pts or 1.6%, matching the decline in both the S&P 500 (-1.6%) and NASDAQ (-1.5%). Stocks managed to record its first monthly increase in 2022 but saw their worst quarterly performance since 1Q20 during the onset of the global pandemic. The Dow and S&P 500 lost 4.6% and 5.0% q/q respectively while NASDAQ plunged 9.1% q/q as the selling of tech shares intensified for the past few months.

- Oil prices lost ground after President Biden announced the decision to release 1 million barrels a day of oil from the US Strategic Petroleum Reserve for the next six months, marking its biggest withdrawal on record in a bid to address the supply disruption from the Russia oil embargo. US WTI plummeted 7.0% to $100.28/barrel while Brent crude shed 4.9% to $107.91/barrel. Both benchmarks closed out the first quarter 33% q/q and 39% q/q higher, as the global supply crunch aggravated by the Russia-Ukraine war pushed global oil prices higher.

- The 2Y and 10Y US treasury yield curve inverted slightly on Tuesday as short-dated yields rose and longer tenure yields ticked lower. The yield on the benchmark 2Y and 10Y UST were last seen around 2.34% on Thursday.

- Elsewhere, safe haven currencies (JPY, CHF and USD) strengthened alongside gold prices (+0.8% @$1949.2/oz) as risk-off sentiment made a return. The dollar rebounded against most G10 currencies. JPY extended its recovery after the Monday selloff spurred by the BOJ bonds operations. EUR fell sharply (-0.8%) alongside Scandinavian currencies (-0.8% to -2.5%). The dollar index closed 0.5% higher at 98.31 and registered its third successive quarterly increase (+2.8% q/q).

- USD/MYR was little changed at 4.2035 on Thursday as the market stayed cautious; risk aversion spreading to today's Asian session ahead of the weekend alongside the lower oil prices should keep the pair rangebound at 4.2000-4.2200.

US personal spending growth weighed by higher prices despite higher income:

- Consumer spending growth slowed sharply in February amid higher inflation. Personal consumption expenditure (PCE) rose a mere 0.2% m/m in February, compared to the upwardly revised 2.7% gain in January as the increase in services spending (+0.9% m/m) following the easing of the Omicron wave was offset by the lower spending on goods (-1.0%) particularly on durable items.
- Personal income growth accelerated to 0.5% m/m, after the tiny 0.1% increase prior, reflecting higher wages and salaries in both the private manufacturing and services industries, led by the trade, transportation and utilities.
- The core PCE price index, the Fed's main inflation gauge, recorded a 0.4% m/m gain (Jan: +0.5%) which translated to a 39-year high of 5.4% y/y growth (Jan: +5.2%), highlighting the persistent rise in inflation, stemming from strong consumer demand and the global supply chain constraints.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	34,678.35	-1.56
S&P 500	4,530.41	-1.57
NASDAQ	14,220.52	-1.54
Stoxx 600	455.86	-0.94
FTSE 100	7,515.68	-0.83
Nikkei 225	27,821.43	-0.73
Hang Seng	21,996.85	-1.06
Straits Times	3,408.52	-0.99
KLCI 30	1,587.36	0.26
FX		
Dollar Index	98.31	0.53
EUR/USD	1.1067	-0.82
GBP/USD	1.3138	0.03
USD/JPY	121.70	-0.11
AUD/USD	0.7482	-0.36
USD/CNH	6.3547	-0.08
USD/MYR	4.2035	-0.01
USD/SGD	1.3545	0.14
Commodities		
WTI ($/bbl)	100.28	-6.99
Brent ($/bbl)	107.91	-4.88
Gold ($/oz)	1,949.20	0.81

Source: Bloomberg, HLBB Global Markets Research

- Initial jobless claims rose 14k to 202k last week, from 188k previously but remained lower than the pre-pandemic era against a backdrop of strong hiring demand.
- The MNI Chicago PMI edged higher to 62.9 in March (Feb: 56.3), signalling business expansion in the Chicago region.

UK GDP revised higher; Eurozone's jobless rate at record low:
- The final reading for the UK 4Q21 GDP growth was revised higher to 1.3% q/q, from 1.0% prior, leaving the y/y growth higher as well, at 6.6% (versus +6.5% prior). Growth was driven by household and government consumptions, and a positive net export while gross investment served as a drag.
- The Eurozone's unemployment rate fell to the record low of 6.8% in February, down from the upwardly revised 6.9% in January. This reading missed the consensus forecast of 6.7%, nonetheless highlighting the solid labour condition in the euro area.

Japan's Tankan Survey points to weaker business outlook:
- The BOJ quarterly Tankan Survey showed economic conditions softened in the first quarter and likely extend to the second quarter. The Large Manufacturing index slipped 4pts to 14 in 1Q (4Q: 18) while the Large Non-manufacturing index was unchanged at 9. Outlook for both sectors weakened with the former down by 4pts to 9 while the latter edging 1pt lower to 7, reflecting impacts from the elevated commodity prices, weaker yen and extensive Covid outbreak. Capex for large industries are expected to rise 2.2% y/y in FY22.

China NBS PMI readings slumped below 50:
- China's economic activity was disrupted further in March by the government's localised lockdowns to curb the spread of Covid-19. The official NBS Manufacturing PMI fell to 49.5 in March, from 50.2 in February, marking its first below-50 reading in five months. The NBS Non-manufacturing PMI, a gauge of services and construction sectors' conditions, also slipped below 50 to 48.4 (Feb: 51.6). March readings did not yet capture the full impact of the Shanghai lockdown which only happened in the last week of March, indicating further weakening of activity in April.

Hong Kong's retail sales plummeted:
- Hong Kong's retail sales fell 14.6% y/y in February (Jan: +4.0%), nearly two times the consensus forecast of -7.7% y/y. This reflects the 25.5% m/m drop in sales (Jan: +1.7%) that month during which Omicron cases soared to a record high of near 77k and the government's stricter Covid-19 rules led consumers to curtail spending. The weaker sales could also be attributed to a small extent, the post-lunar new year slump in demand. Sales plunged in all categories of goods except for meat.

New Zealand's consumer sentiment deteriorated:
- Consumer sentiment in New Zealand slumped further by 4.7% m/m in March, after the 16.4% decline in February. The index came in at 77.9 (Feb: 81.7), the series' record low, attributing to Omicron outbreak, rising living costs, a weaker housing market and higher interest rates.

House View and Forecasts

FX	This Week	1Q-22	2Q-22	3Q-22	4Q-22
DXY	98-100	96.15	96.40	96.30	96.30
EUR/USD	1.08-1.10	1.13	1.12	1.12	1.13
GBP/USD	1.30-1.33	1.34	1.33	1.35	1.36
AUD/USD	0.74-0.76	0.72	0.72	0.74	0.75
USD/JPY	119-123	115	116	115	114
USD/MYR	4.20-4.25	4.17	4.15	4.15	4.10

USD/SGD	1.35-1.37	1.35	1.34	1.34	1.33

Rates, %	Current	1Q-22	2Q-22	3Q-22	4Q-22
Fed	0.25-0.50	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	0.75	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
01/04	MA S&P Global Malaysia PMI Mfg (Mar)	50.9
	VN S&P Global Vietnam PMI Mfg (Mar)	54.3
	JP Jibun Bank Japan PMI Mfg (Mar F)	52.7
	AU Home Loans Value MoM (Feb)	2.6%
	CN Caixin China PMI Mfg (Mar)	50.4
	EZ S&P Global Eurozone Manufacturing PMI (Mar F)	58.2
	UK S&P Global/CIPS UK Manufacturing PMI (Mar F)	58
	EZ CPI Estimate YoY (Mar)	5.8%
	US Change in Nonfarm Payrolls (Mar)	678k
	US Unemployment Rate (Mar)	3.8%
	US Average Hourly Earnings YoY (Mar)	5.1%
	US Labor Force Participation Rate (Mar)	62.3%
	US S&P Global US Manufacturing PMI (Mar F)	57.3
	US Construction Spending MoM (Feb)	1.3%
	US ISM Manufacturing (Mar)	58.6
04/04	EZ Sentix Investor Confidence (Apr)	-7.0
	SI Purchasing Managers Index (Mar)	50.2
	US Factory Orders (Feb)	1.4%
	US Durable Goods Orders (Feb F)	-2.2%
	US Cap Goods Orders Nondef Ex Air (Feb F)	-0.3%

Source: Bloomberg

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