1 June 2022

Global Markets Research

Daily Market Highlights

01-June: Higher global bond yields amid rate hike prospects

US stocks closed lower overnight after Memorial Day weekend

10-year UST yield back to 2.85% as investors sold global bonds

USD strengthened, Brent crude traded above $122/barrel

- US stocks slipped after the Memorial Day weekend. All three US benchmarks fell 0.4-0.7% on Tuesday and closed out the month on a mixed note. The Dow and S&P 500 rose over 1.0% in May while the tech-focus NASDAQ index fell 1.0% as expectations of higher interest rates weighed on tech stocks. European shares closed lower earlier while Asian markets saw mixed performances.

- Global bond yields continued to be pushed higher as investors mulled economic outlook and elevated inflation given that central banks are poised to increase rates and tighten monetary policy. US treasury yields jumped by 8-11bps across the curve where the yield on the benchmark 10Y UST was seen at 2.85% (+11bps).

- The US dollar rebounded alongside higher US yields. USD rose against most G10 currencies where the JPY suffered a major decline of 0.8%. The Norwegian krone strengthened while CAD remained resilient with little changes amid a rally in oil prices. The dollar index closed marginally higher at 101.75. Gold futures fell 0.5% to $1842.70/oz as USD climbed.

- USD/MYR snapped a four-day weakening streak to close 0.3% higher at 4.3770. The renewed risk-off sentiment and cautious sentiment ahead of major US data are expected to support the pair.

- Brent crude, the global oil benchmark, surged nearly 1.0% to trade at $122.84/barrel after the European Union announced a partial embargo on Russian oil and banned insurers from covering Russian cargoes of crude. Brent crude has now advanced for the ninth consecutive session, marking its highest level since March. The US WTI gave up intraday gains to close 0.4% lower at $114.67/barrel.

US consumer confidence moderated in May; house prices climbed in March:

- The Conference Board Consumer Confidence Index decreased to 106.4 in May (Apr: 108.6), reflecting the fall in both assessments of current situation and expectations. The Conference Board said that the weaker Present Situation index was driven solely by perceived softening in labour market conditions but remained at strong levels, suggesting that growth did not contract in 2Q. The lower Expectations index indicates that consumers do not foresee the economy picking up steam in the months ahead.
- US house prices continued to rise in March amid limited inventory. The FHFA House Price Index rose 1.5% m/m in March following the downwardly revised 1.9% gain in February. The reading missed the forecast of 2.0% m/m increase. Meanwhile, the S&P CoreLogic Case Shiller Index for 20 Cities picked up 2.4% m/m (Feb: +2.4%). Y/y, the index showed that house prices climbed 21.2% from a year ago (Feb: +20.3%).
- Regional manufacturing PMIs came in on a mixed note. The MNI Chicago PMI rose to 60.3 in May (Apr: 56.4), defying the expectations for a weaker reading. In

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	32,990.12	-0.67
S&P 500	4,132.15	-0.63
NASDAQ	12,081.39	-0.41
Stoxx 600	443.35	-0.72
FTSE 100	7,607.66	0.10
Nikkei 225	27,279.80	-0.33
Hang Seng	21,415.20	1.38
Straits Times	3,232.49	-0.20
KLCI 30	1,570.10	1.76
FX		
Dollar Index	101.75	0.08
EUR/USD	1.0734	-0.42
GBP/USD	1.2602	-0.40
USD/JPY	128.67	0.85
AUD/USD	0.7177	-0.26
USD/CNH	6.6787	0.11
USD/MYR	4.3770	0.25
USD/SGD	1.3699	0.20
Commodities		
WTI ($/bbl)	114.67	-0.40
Brent ($/bbl)	122.84	0.96
Gold ($/oz)	1,842.70	-0.50

Source: Bloomberg, HLBB Global Markets Research contrast, the Dallas Fed Manufacturing Index turned negative at -7.3 (Apr: 1.1), which was in line with the recent weakening of other similar factory readings.

Eurozone's inflation surged to record high:

- Eurozone's HICP inflation hit a record high of 8.1% y/y in May after having climbed 7.4% in April, reflecting a broad-based increase in all key categories. Energy prices were 39.2% (higher compared to the year ago (Apr: +37.5%) while food, alcohol & tobacco rose a whopping 7.5% y/y (Apr: +6.3%). Core inflation surged to 3.8% y/y (Apr: +3.3%), also a record high as services inflation hit 3.5% y/y. The latest set of data further reinforced the case for an ECB rate hike in July.

China's PMIs improved but still below 50:

- China's NBS PMI for manufacturing rose to 49.6 in May, up from 47.4 in April. The non-manufacturing PMI increased substantially to 47.8, from 41.9 prior. Both readings showed that economic activity remained in contraction area but experienced improvement as authorities slowly lifted restrictions. They also suggest that China's worst economic slump may be over as the number of Covid cases went down, unless the government reimposes stringent rules in the future.

New Zealand's business confidence slumped in May:

- New Zealand's ANZ Business Confidence Index plummeted by 14pts to -55.6 in May, from -42 in April. This marked its worst reading since the Covid-19 pandemic first shocked the economy, reflecting the intense inflation and cost pressures although they are showing signs of topping out. The survey pointed out that the outlook for residential construction is deteriorating. Earlier in the separate note, StatNZ had reported 8.5% m/m decline in New Zealand's building approvals in April (Mar: +6.1%).

House View and Forecasts

FX	This Week	2Q-22	3Q-22	4Q-22	1Q-23
DXY	101-102	106.00	108.00	105.00	103.00
EUR/USD	1.06-1.08	1.02	1.00	1.01	1.03
GBP/USD	1.25-1.27	1.21	1.20	1.22	1.24
AUD/USD	0.70-0.72	0.69	0.68	0.69	0.70
USD/JPY	125-128	133.00	135.00	133.00	132.00
USD/MYR	4.35-4.42	4.38	4.40	4.38	4.35
USD/SGD	1.36-1.38	1.39	1.40	1.38	1.37

Rates, %	Current	2Q-22	3Q-22	4Q-22	1Q-23
Fed	0.75-1.00	1.25-1.50	2.00-2.25	2.50-2.75	2.50-2.75
ECB	-0.50	-0.50	-0.50	-0.25	-0.25
BOE	1.00	1.25	1.25	1.25	1.25
RBA	0.35	0.50	0.75	1.00	1.25
BOJ	-0.10	-0.10	-0.10	-0.10	-0.10
BNM	2.00	2.00	2.50	2.50	2.75

Source: HLBB Global Markets Research

Up Next

Date	Events	Prior
01/06	MA S&P Global Malaysia PMI Mfg (May)	51.6
	VN S&P Global Vietnam PMI Mfg (May)	51.7
	JP Jibun Bank Japan PMI Mfg (May F)	53.2
	AU GDP SA QoQ (1Q)	3.4%
	CN Caixin China PMI Mfg (May)	46.0
	UK Nationwide House Px NSA YoY (May)	12.1%
	EZ S&P Global Eurozone Manufacturing PMI (May F)	54.4
	HK Retail Sales Value YoY (Apr)	-13.8%
	UK S&P Global/CIPS UK Manufacturing PMI (May F)	54.6
	EZ Unemployment Rate (Apr)	6.8%

	US MBA Mortgage Applications (27 May)	-1.2%
	US S&P Global US Manufacturing PMI (May F)	57.5
	US Construction Spending MoM (Apr)	0.1%
	US ISM Manufacturing (May)	55.4
	US JOLTS Job Openings (Apr)	11549k
02/06	US U.S. Federal Reserve Releases Beige Book	
	AU Exports MoM (Apr)	0.0%
	US ADP Employment Change (May)	247k
	US Initial Jobless Claims (28 May)	210k
	SG Purchasing Managers Index (May)	50.3
	US Factory Orders (Apr)	1.8%
	US Durable Goods Orders (Apr F)	0.4%
	US Cap Goods Orders Nondef Ex Air (Apr F)	0.3%

Source: Bloomberg

Hong Leong Bank Berhad
Fixed Income & Economic Research, Global Markets
Level 8, Hong Leong Tower
6, Jalan Damanlela
Bukit Damansara
50490 Kuala Lumpur
Tel: 603-2081 1221
Fax: 603-2081 8936
HLMarkets@hlbb.hongleong.com.my