2 March 2022

Global Markets Research
Daily Market Highlights

02-Mar: Oil prices skyrocketed above $100/barrel

US, European stocks sold off as Russia-Ukraine crisis deepened
Dollar, treasuries & gold boosted by flight to safety
US ISM manufacturing index showed solid factory growth

- US and European stocks sold off overnight as the Russia-Ukraine military crisis deepened. The S&P 500 and NASDAQ shed 1.6% while the Dow fell 1.8%. The pan-European STOXX Europe 600 plummeted 2.4% whereas the German and French benchmarks both lost 3.9%.

- The flight to safety boosted demand for US treasuries, leaving yields lower by 4.8 to 12.4bps; the benchmark 10Y UST plunged 9.8bps to 1.73%. Prices of gold, also a safe asset, were boosted by 2.3% to $$1943.8/oz.

- Oil benchmarks shot up on the expected supply disruption from Russia after western allies imposed more sanctions on the country. The US WTI soared 8.0% in a single session to $103.41/barrel, its strongest level since July 2014. Brent crude jumped nearly 4.0% to $104.97/barrel. The US and other member states of the International Energy Agency (IEA) pledged to release 60 million barrels of oil reserves.

- In the FX market, the dollar recovered to become the major winner thanks to its safe haven nature. USD rose against all G10 currencies except the JPY which stayed flat. The dollar index surged 0.7%.

- USD/MYR closed 0.2% lower at 4.1930. 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.

Strong manufacturing PMIs for Western developed economies:

- The US ISM manufacturing index ticked up to 58.6 in February (Jan: 57.6) alongside the concurrent increase in the Markit manufacturing PMI from 55.5 to 57.3 in the same month. The robust readings showed that the impact of the Omicron outbreak was minimal on the US factory sector.
- In Europe, the Eurozone manufacturing PMI slipped to 58.2 in February (Jan: 58.7) but remained at an elevated level. The UK manufacturing PMI rose to 58.0 (Jan: 57.3), driven by stronger domestic demand and easing supply chain pressures.
- In Asia, China's February PMI readings generally came in better compared to the previous month. The official NBS manufacturing PMI was only a tad higher (50.2 vs 50.1 prior) while the non-manufacturing gauge rose slightly to 51.6, from 51.1 The separately released Markit index for manufacturing crossed above 50.0 to indicate expansion; at 50.4 in February, compared to 49.1 before this.
- Elsewhere, Japan's manufacturing PMI retreated to 52.7 in February (Jan: 55.4), attributed to the renewed increase in Covid-19 cases and sustained material shortages. Manufacturing PMI for Malaysia rose to 50.9, from 50.5 prior. Vietnam PMI picked up to 54.3, from 53.7.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	33,294.95	-1.76
S&P 500	4,306.26	-1.55
NASDAQ	13,532.46	-1.59
Stoxx 600	442.37	-2.37
FTSE 100	7,330.20	-1.72
Nikkei 225	26,844.72	1.20
Hang Seng	22,761.71	0.21
Straits Times	3,278.63	1.12
KLCI 30	1,596.44	-0.74
FX		
Dollar Index	97.41	0.73
EUR/USD	1.1125	-0.84
GBP/USD	1.3325	-0.71
USD/JPY	114.92	-0.07
AUD/USD	0.7252	-0.15
USD/CNH	6.3190	0.08
USD/MYR	4.1930	-0.15
USD/SGD	1.3579	0.22
Commodities		
WTI ($/bbl)	103.41	8.03
Brent ($/bbl)	104.97	3.94
Gold ($/oz)	1,943.80	2.27

Source: Bloomberg, HLBB Global Markets Research

US construction spending picked up more than expected:

- Construction spending in the US jumped 1.3% m/m in January, far exceeding the consensus estimate of 0.1%, driven by increase in both residential and non-residential sectors. Notably, the spending in December was revised higher to reflect a larger 0.8% m/m growth (versus initial estimate of 0.2% m/m). Following the December revision, the total construction spending rose 8.3% in 2021, its best year since 2015.

RBA maintained cash rate amid Ukraine uncertainties:

- The Reserve Bank of Australia kept the cash rate unchanged at 0.1%, citing it is too early to conclude that the pick-up in actual inflation to within the 2-3% target range is sustainable. It added that "there are uncertainties about how persistent the pick-up in inflation will be given recent developments in global energy markets and ongoing supply-side problems" while wage growth remains modest. The RBA said that the global economy continues to recover and the Australian economy is resilient but the war in Ukraine is a "major new source of uncertainties".
- With regards to the local economy, the decline in Covid-19 infection rates and the high numbers of job vacancies point to a strong bounce-back over the months ahead. It expects the unemployment rate to fall below 4.0% later this year and remain so next year.
- Wage growth is still expected to be gradual; inflation has picked up but is considered lower than in many other countries. It expects underlying inflation to gain to around 3.25% in the coming quarters, before falling to 2.75% over 2023 as supply side challenges are resolved and consumption normalises. It warned that CPI rate will spike higher than this on higher petrol prices and the time needed to resolve the supply chain disruptions is an important source of uncertainty regarding the inflation outlook, as well as the developments in global energy markets. The RBA maintained that it was prepared to be patient when monitoring the various factors affecting inflation in Australia.

Australia's home loans growth beat forecasts:

- Australia's approved home loan value rose more than expected in January by 2.6% m/m, following the 4.4% climb in December as the property market continued to thrive on the low interest rates. This exceeded the consensus forecast of a small 0.3% m/m increase. The sharper rise in investor lending (+6.1% m/m) dwarfed the more modest 1.0% pick-up in owner occupied loans.

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
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
03/03	US U.S. Federal Reserve Releases Beige Book ()	
	AU Exports MoM (Jan)	1%
	JP Jibun Bank Japan PMI Services (Feb F)	42.7
	HK Markit Hong Kong PMI (Feb)	48.9
	SG Markit Singapore PMI (Feb)	54.4
	CN Caixin China PMI Services (Feb)	51.4
	MA BNM Overnight Policy Rate (03 Mar)	1.75%
	EZ Markit Eurozone Services PMI (Feb F)	55.8
	UK Markit/CIPS UK Services PMI (Feb F)	60.8
	EZ Unemployment Rate (Jan)	7.0%
	US Initial Jobless Claims (26 Feb)	232k
	US Markit US Services PMI (Feb F)	56.7
	US Durable Goods Orders (Jan F)	1.6%
	US ISM Services Index (Feb)	59.9
	US Factory Orders (Jan)	-0.4%
	US Cap Goods Orders, Non-def Ex-Air (Jan F)	0.9%

Source: Bloomberg

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