

2 June 2022

Global Markets Research

Daily Market Highlights

02-June: Treasury yields climbed on solid US data

US stock benchmarks closed lower, tracking weaker European shares

Treasury yields ticked up alongside stronger USD; global bond yields rose

Brent crude pared gains to trade below \$120/barrel

- US stocks slipped overnight while treasury yields jumped further as a series of solid economic data point to a resilient US economy which means that the Federal Reserve is on track to maintain its policy tightening plan. The main US benchmarks fell by 0.5-0.8%, tracking the decline in European stocks earlier. Asian markets saw another day of mixed performances as stocks rose in Japan but fell in Hong Kong and China.
- Treasury yields rose by 1-10bps, led by the front end of the curve amid a synchronized increase in global bond yields. The market's main focus remained on the elevated global inflation and central banks' monetary policy. The yield on the benchmark 10Y UST climbed 6bps to 2.91%, its strongest level in two weeks.
- The USD outperformed all G10 and nearly all Asian currencies, supported by higher yields and strong data. The dollar index closed 0.7% higher at 102.50. The Japanese yen posted deeper losses of 1.1% alongside the Norwegian krone as investors zeroed in on policy divergence between the Fed and BOJ. CAD had a choppy trade and closed the day marginally lower, after the Bank of Canada raised its benchmark policy rate by 50bps as expected. Gold futures were steady at \$1843.30/oz despite the USD strength.
- USD/MYR ended Tuesday's session 0.2% higher at 4.3835, recovering further from the recent selling. The bullish USD sentiment is likely to support the pair continuously, in line with our slightly bullish view on a weekly basis.
- In the oil market, WTI traded slightly firmer (+0.5%) at \$115.26/barrel. The global benchmark Brent tanked 5.3% to \$116.29/barrel, ending a nine-day winning streak amid profit taking activity. Brent was also weighed by news of a possible suspension of Russian participation in OPEC+ output deal which may lead to higher Saudi and UAE production.

US ISM manufacturing came in better than expected; private construction spending continued to rise:

- The ISM manufacturing index unexpectedly rose to 56.1 in May (Apr: 55.4), supported by the stronger new orders, production and inventories, a sign of solid manufacturing demand in the US. The report also showed moderating price pressure and a contraction in employment activity. The separately released S&P Global US Manufacturing PMI, however, slipped to 57.0 in May (Apr: 59.2).
- Construction spending rose 0.2% m/m in April, following the upwardly revised 0.5% gain in March. The headline growth missed the consensus forecast (0.5%), dragged down by the continuous fall (-0.4% m/m) in non-residential construction spending. Private residential spending rose 0.9% m/m, maintaining a nine-month gaining streak, reflecting ongoing and planned construction works to fulfil US housing demand.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	32,813.23	-0.54
S&P 500	4,101.23	-0.75
NASDAQ	11,994.46	-0.72
Stoxx 600	438.72	-1.04
FTSE 100	7,532.95	-0.98
Nikkei 225	27,457.89	0.65
Hang Seng	21,294.94	-0.56
Straits Times	3,244.00	0.36
KLCI 30	1,553.41	-1.06
FX		
Dollar Index	102.50	0.73
EUR/USD	1.0650	-0.78
GBP/USD	1.2487	-0.91
USD/JPY	130.13	1.13
AUD/USD	0.7175	-0.03
USD/CNH	6.6980	0.29
USD/MYR	4.3835	0.15
USD/SGD	1.3745	0.34
Commodities		
WTI (\$/bbl)	115.26	0.51
Brent (\$/bbl)	116.29	-5.33
Gold (\$/oz)	1,843.30	0.03

Source: Bloomberg, HLBB Global Markets Research

US job opening still near record high; mortgage applications fell for third week:

- US JOLTS job openings fell to 11.4mil in April from the record high levels of 11.9mil in March. Openings remained aplenty, reflecting the strong hiring demand in the US. Quit rate, a measure of resignations, came in unchanged at 2.9% for the third consecutive month (the record high was 3.0% late last year), as people continued to leave incumbent roles in search of jobs with better pays and incentives.
- The MBA mortgage applications fell 2.3% w/w for the week ended 27 May (prior: -1.2%), its third decline in row. High interest rates (5.3% vs 3.2% a year ago) continued to weigh on both applications for home purchases and refinancing.
- The Federal Reserve Beige Book for June reported that all 12 Fed districts reported continued economic growth, with a majority indicating slight or modest growth.

Eurozone's manufacturing PMI slipped in May; jobless rate still at record low:

- The S&P Global Eurozone Manufacturing PMI fell to 54.6 in May (Apr: 55.5), as manufacturing order fell for the first time since June 2020. The reading indicates an overall weaker expansion in the euro area manufacturing industry as factories struggled with high inflationary pressure and persistent supply chain issues.
- The Eurostat reported that the unemployment rate remained unchanged at 6.8% in April (Mar: 6.8%), a series record low. This confirmed that the labour market was still tight and supported the case for an ECB policy tightening in July.

UK manufacturing PMI weakened in May:

- The S&P Global/CIPS UK Manufacturing PMI edged lower to 54.6 in May, down from 55.8 prior. This reflects weaker output, new orders and employment, again attributed to rising costs and supply chain challenges.
- The Nationwide House Price rose 0.9% m/m in May (Apr: +0.4%) to a series record high of £269.9k. The y/y gain slowed to 11.2 y/y (Apr: +12.1%). Signs of a cooling housing market have begun to emerge as higher borrowing costs weighed on mortgage approval. Data published recently by property portal Zoopla also showed sellers cutting asking prices while the average time to sell a home also lengthened.

Mixed manufacturing PMIs in Asia:

- Japan's manufacturing PMI recorded little changes at 53.3 in May (Apr: 53.5), reflecting solid operating conditions.
- China's Caixin PMI for manufacturing rose to 48.1 (Apr: 46.0); the softer rate of contraction implies a move towards stabilisation.
- Vietnam's PMI rose to 54.7 (Apr: 51.7) as factory activity continued to recover from the early-year Omicron related setback.
- Malaysia's PMI down to 50.1 (Apr: 51.6), a tad above the neutral level of 50, thus indicates stagnation.

Hong Kong's retail sales rebounded in April:

- Hong Kong's retail sales rose 11.7% y/y in April, beating the expectations for a 7.9% decline. In March, retail sales had fallen by 13.8% y/y. The unexpected rebound in retail sales showed a comeback in Hong Kong consumers as Covid-19 restrictions were eased in the city. Consumers spent more on food and at supermarkets while also increased expenditure on consumer durable goods and department store goods.

Australia's GDP growth slowed in 1Q22:

- Australia's first quarter GDP data came in better than expectations but softer than the previous quarter as the continuous build-up in inventory dragged on net exports while the reopening effect waned into 2022. The economy expanded by 0.8% q/q in the first quarter of 2022, versus the forecast of 0.7% q/q and down

from +3.6% in 4Q21. On a y/y basis, GDP expanded at a softer pace of 3.3% y/y (4Q21: +4.4%). The overall growth was considered decent as consumption continued to hold up; this should make the RBA comfortable to raise the cash rate in the coming meeting.

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	125-130	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
02/06	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%
03/06	JP Jibun Bank Japan PMI Services (May F)	51.7
	SG S&P Global Singapore PMI (May)	56.7
	AU Home Loans Value MoM (Apr)	1.6%
	SG Retail Sales YoY (Apr)	8.7%
	EZ S&P Global Eurozone Services PMI (May F)	56.3
	EZ Retail Sales MoM (Apr)	-0.4%
	US Change in Nonfarm Payrolls (May)	428k
	US Unemployment Rate (May)	3.6%
	US Average Hourly Earnings YoY (May)	5.5%
	US Labor Force Participation Rate (May)	62.2%
	US S&P Global US Services PMI (May F)	53.5
	US ISM Services Index (May)	57.1

Source: Bloomberg

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