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Global Markets Research

Daily Market Highlights

03-Mar: Fed hinted 25-basis-point rate hike

Stocks and yields rebounded; 10Y UST yield returned to above 1.8%

Bank of Canada raised benchmark rate by 25bps and signalled more hikes ahead

Oil now trading above \$110/barrel after OPEC+ sticks to output plan

- US and European stocks rebounded while global bond yields shot up as investors diverted their attention to monetary policy from the war in Ukraine. The Dow rose nearly 600pts or 1.8%; the S&P 500 picked up 1.9% amid the broad-based sectorial gains while NASDAQ advanced 1.6%.
- The Federal Reserve hinted strongly that it will raise the fed funds rate by 25bps in two weeks' time according to the Federal Reserve's semi-annual Monetary Policy Report to the Congress. Chair Powell said in his testimony to the House Financial Services Committee that "it will be appropriate to raise the target range for the federal funds rate at our meeting later this month" and added that the near-term effects of the invasion of Ukraine and its related events on the US economy remain highly uncertain.
- Treasury yields rebounded sharply overnight, recovering from the declines early this week as Powell confirms the upcoming 25-bp rate hike. Yields soared by 14 to 17bps across the curve with the 10Y UST yield returning back above 1.8%, at 1.88% (+15.9bps).
- In the FX market, the CAD emerged as the top winner in the G10 basket, strengthening by 0.9% as the Bank of Canada raised its benchmark overnight rate by 25bps to 0.5% and said that interest rates will need to rise further. While it acknowledged the Ukraine uncertainty, the rate rise took into account strong Canadian economic growth and elevated inflation. It expects 1Q22 growth to be more solid than previously projected.
- The USD recorded mixed performances against the G10 currencies as risk aversions eased; JPY and CHF weakened; apart from the CAD, commodity currencies rose alongside the GBP. EUR changed little. The dollar index held steady (-0.02%) at 97.39.
- USD/MYR closed 0.05% higher at 4.1955 and is likely to see little changes today ahead of the BNM MPC statement at 3pm. BNM is expected to extend its rate pause, maintaining the OPR at 1.75% and reiterating a neutral policy stance given prevailing uncertainties.
- Gold futures retreated by 1.1% to \$1922.30/oz following the more-than-2% rally in the previous session; Oil prices shot up further as the OPEC+ decided to stick to its gradual production hike despite the Ukraine-Russia war which intensified the concerns of supply disruption. Brent crude jumped by a whopping 7.6% to \$112.93/barrel, from the previous closing of \$104.97; WTI added nearly 7.0% to \$110.60/barrel.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	33,891.35	1.79
S&P 500	4,386.54	1.86
NASDAQ	13,752.02	1.62
Stoxx 600	446.33	0.90
FTSE 100	7,429.56	1.36
Nikkei 225	26,393.03	-1.68
Hang Seng	22,343.92	-1.84
Straits Times	3,244.40	-1.04
KLCI 30	1,598.10	0.10
FX		
Dollar Index	97.39	-0.02
EUR/USD	1.1119	-0.05
GBP/USD	1.3406	0.61
USD/JPY	115.52	0.52
AUD/USD	0.7297	0.62
USD/CNH	6.3233	0.07
USD/MYR	4.1955	0.05
USD/SGD	1.3542	-0.27
Commodities		
WTI (\$/bbl)	110.60	6.95
Brent (\$/bbl)	112.93	7.58
Gold (\$/oz)	1,922.30	-1.11

Source: Bloomberg, HLBB Global Markets Research

US private sector added jobs as Covid cases fell:

- Private payrolls in the US rose by 475k in February, besting the estimates of 375k. January saw a drastic revision as the 301k job losses were corrected to 509k job gains. The January revision, together with the stronger-than-expected job growth in February came as the Covid-19 cases in the country plunged sharply last month, reaffirming the US labour market strength.
- The Federal Reserve Beige Book reported that the US economic activity expanded at a modest to moderate pace since mid-January. The Covid-19 surge temporarily disrupted business activity as firms faced higher absenteeism. Employment also rose at a modest to moderate pace while prices charged to customers gained at a robust pace.
- MBA mortgage applications fell 0.7% w/w last week after the 13.1% decline prior, driven by the drop in purchases applications which outweighed the minimal increase in refinancing.

Eurozone inflation at record high:

- The Eurozone's headline inflation rate reached record high in February at 5.8% y/y (Jan: 5.1%), reflecting the 0.9% m/m jump in prices last month. Prices of energy were 31.7% higher compared to the same period last year as global crude oil prices jumped. Nonetheless, the increase was broad-based with inflation for food, alcohol & tobacco, non-energy industrial goods as well as services all picking up last month. The core CPI rate also accelerated to 2.7% y/y, from 2.3% previously.

SG PMI weakened in February:

- Singapore's official PMI reading slipped to 50.2 in February, from 50.6 in January, marking its lowest level since August 2020. This came as new orders and exports slowed alongside the contraction in inventory. The sub-index for the electronics sector also fell to 50.5 (Jan: 50.8).

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
03/03	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%
04/03	JP Job-To-Applciant Ratio (Jan)	1.16
	JP Jobless Rate (Jan)	2.7%
	SG Retail Sales YoY (Jan)	6.7%
	HK Retail Sales Value YoY (Jan)	6.2%
	EZ Retail Sales MoM (Jan)	-3.0%
	US Average Hourly Earnings YoY (Feb)	5.7%
	US Change in Nonfarm Payrolls (Feb)	467k
	US Unemployment Rate (Feb)	4.0%
	US Labour Force Participation Rate (Feb)	62.2%

Source: Bloomberg

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