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Global Markets Research

Daily Market Highlights

04-Mar: No cease-fire deal

US stocks and treasury yields fell modestly ahead of US job report

The greenback traded on a mixed note against G10 currencies

Oil prices retreated; Brent crude settled just above \$110/barrel

- US and European stocks suffered yet another day of losses as investors weighed the Ukraine-Russia cease fire talks against future monetary path ahead of the release of US February job report. The Dow Jones (-0.3%) and S&P 500 (-0.5%) fell modestly while NASDAQ plummeted 1.6%. Earlier, the STOXX Europe 600 plunged 2% while the main benchmarks of Germany (-2.2%), France (-1.8%) and the UK (-2.6%) all closed lower.
- The second round of talk between Russia and Ukraine ended with no cease fire except for the agreement to evacuate civilians. The US imposed more sanctions and visa restrictions on key Russian individuals. US lawmakers introduced a bipartisan bill to ban imports of Russian crude oil, LNG, petroleum and coal.
- US treasury yields generally ticked lower except at the front-end, leading the curves to flatten. 10Y UST yield slipped to 1.84%, down by 3.6bps. In the FX market, the greenback recorded mixed performances against the G10 currencies; the USD rose against CAD, GBP, EUR and all Scandinavian currencies but weakened against AUD, CHF, NZD and JPY. The dollar index advanced 0.4%.
- USD/MYR closed 0.2% lower at 4.1880 after BNM kept OPR unchanged at 1.75% and maintained an overall neutral MPC statement. MYR remained well supported by the elevated commodity prices but some pre-weekend risk aversion may kick in to prevent any major down moves in the pair. We expect the pair to remain above 4.1800 in today's session, as the market anticipates the US job report.
- Gold futures rebounded 0.7% to \$1935.90/oz; Crude oil prices retreated from the previous session's rally. Brent crude lost 2.2% to \$110.46/barrel while WTI shed 2.7% to \$107.67/barrel.

US initial jobless claims at 215k last week:

- Initial jobless claims fell to 215k for the week ended 26 Feb (prior: 233k), marking its second consecutive decline as the robust hiring activity and continued labour shortages limited layoffs last week.
- Factory orders jumped 1.4% m/m in January, doubling the consensus estimate of 0.7%. December's orders were revised higher to show a 0.7% m/m growth (compared to 0.4% decline in the initial estimate). Durable goods orders rose 1.6% m/m (Dec: +1.2%) while core capital orders picked up 1.0% m/m (Dec: +0.4%), indicating robust capex and business expectations.

US ISM services PMI retreated; Eurozone & UK recovered from Omicron setbacks;

- US PMI readings were mixed but nonetheless pointed to continued expansion. The ISM services index fell sharply to 56.5 in February (Jan: 59.9), reflecting the contraction in employment as well as slower production and new orders. Inflation and supply chain challenge remained the dominating issues according to

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	33,794.66	-0.29
S&P 500	4,363.49	-0.53
NASDAQ	13,537.94	-1.56
Stoxx 600	437.36	-2.01
FTSE 100	7,238.85	-2.57
Nikkei 225	26,577.27	0.70
Hang Seng	22,467.34	0.55
Straits Times	3,253.65	0.29
KLCI 30	1,618.54	1.28
FX		
Dollar Index	97.79	0.41
EUR/USD	1.1066	-0.48
GBP/USD	1.3348	-0.43
USD/JPY	115.46	-0.05
AUD/USD	0.7329	0.44
USD/CNH	6.3225	-0.01
USD/MYR	4.1880	-0.17
USD/SGD	1.3562	0.15
Commodities		
WTI (\$/bbl)	107.67	-2.65
Brent (\$/bbl)	110.46	-2.19
Gold (\$/oz)	1,935.90	0.71

Source: Bloomberg, HLBB Global Markets Research

respondent. Meanwhile, the Markit services PMI rose to 56.5 (Jan: 51.2), indicating an acceleration in business growth that was driven by strong upturn in new orders.

- The Eurozone's and UK services activity recovered in February from the Omicron-related setback in the previous month. The services PMI for the euro area climbed to 55.5 in February (Jan: 51.1) while the similar gauge for the UK jumped to 60.5 (Jan: 54.1).

Key Asian economies recorded weaker PMIs:

- Japan's services PMI slumped to 44.2 in February (Jan: 47.6), indicating an even sharper rate of contraction in activity amid an uptick in Covid-19 cases.
- China's Caixin services PMI dropped to 50.2, from 51.4 prior, reflecting the slowest expansion rate of business activity for six months, linked to the Covid-related measures to contain the virus.
- Hong Kong's Markit PMI plunged deeper into the negative territory in February. At 42.9 in February (Jan: 48.9), the index pointed to the rapid contraction in private sector activity, following the steep rise in Covid-19 cases amounting to the thousands in the city.
- Singapore's Markit PMI ticked lower to 52.5 in February (Jan: 54.4), indicating a softer expansion rate of the private sector, attributed to Covid-related disruption.

Eurozone's unemployment rate fell below 7.0%, a record low:

- The Eurozone's unemployment rate slipped from 7.0% to a record low of 6.8% in January, besting the forecast of 6.9%. The recovery in the services sector as well as the generally steady manufacturing activity suggest that hiring expectations are likely to remain high in the next few months as the impacts of Russia-Ukraine war on the bloc's economy remained unclear for now.
- Producer price index surged 5.2% m/m in Jan (Dec: +3.0%), translating to a y/y PPI rate of 30.6% (Dec: 26.3%). Energy prices were 85.6% higher compared to the same period last year.

Japan's jobless rate rose to 2.8%:

- Japan's jobless rate rose to 2.8% in January, from 2.7% prior, as the government reintroduced Covid measures to contain the Omicron wave which in turn weighed on business activity and impacted the job market. The job-to-applicants ratio rose to 1.2 in the same month, from 1.16 prior.

Australia's trade surplus rose to A\$12.9b:

- Australia's trade surplus widened enormously to A\$12.9b in January, from A\$8.8b in December, reflecting the 8% increase in exports versus the 2% decline in imports. The 9% surge in iron ores shipments drove the sharp export growth that month whereas other key commodities such as coal, natural gas and gold dropped. The higher commodity prices may boost export value further but softer demand, particularly from China may pose a downside risk. Merchandise exports to China slipped modestly (-2.9% m/m) but still held above A\$12b.

BNM held OPR unchanged at 1.75%:

- BNM delivered another rate pause at its March MPC meeting, and the decision to keep OPR unchanged at a historical low of 1.75% was widely expected. The accompanied statement was by and large unchanged from the previous statement in January, save for the comments and assessment on Ukraine-related risks. The statement remained overall neutral, suggesting there is no immediate plan for any rate hike.
- BNM reaffirmed its assessment that the global economy continues to recover. On the domestic front, BNM expects the recovery to strengthen in 2022, driven by continuous growth in global demand and higher private sector spending although it acknowledged that overall risks remain tilted to the downside. While we rule out any action in May, tentative signs of broadening underlying inflation could prompt

BNM to act earlier than expected in 3Q2022, provided no further escalation in economic fallouts from geopolitical standoffs.

House View and Forecasts

FX	This Week	1Q-22	2Q-22	3Q-22	4Q-22
DEX	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
04/03	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%
07/03	US Labour Force Participation Rate (Feb)	62.2%
	MA Foreign Reserves (28 Feb)	\$115.8b
	EZ Sentix Investor Confidence (Mar)	16.6
	CN Exports YTD YoY (Feb)	60.6%
	CN Imports YTD YoY (Feb)	22.2%

Source: Bloomberg

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