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Global Markets Research

Daily Market Highlights

04-Apr: Robust US job report sent stocks higher

US equities rose modestly on solid US job data

2Y UST notes cheapened further, inverting the key 2Y10Y curve

Oil prices plunged as more IEA members planned to tap into oil reserves

- US stocks closed modestly higher on Friday, driven by the solid official job report that showed the unemployment rate falling to pre-pandemic level. The Dow Jones, S&P 500 and NASDAQ rose 0.3-0.4% with the Dow in a slight lead. Elsewhere, equities rose in Europe and recorded mixed performances in Asia.
- Short-to-medium term yields surged following the upbeat job report. The yield on the benchmark 2Y treasury notes rose the most by 12.2bps to 2.46%, higher than the 10Y UST yield, last seen at 2.34% (+4.4bps) on Friday. The inversion of the key part of the yield curve fuelled concerns of an imminent recession. Other parts of the curve also remained inverted as front-end yields continued to rise sharply compared to the longer tenures.
- The greenback strengthened against most G10 currencies on Friday. The dollar index rose 0.3% to 98.63. JPY suffered the largest losses (-0.7%), followed by the CHF (-0.4%) amid some pullback in appetites for safe currencies. JPY had now weakened for the fourth consecutive week, amid persistent policy divergence between the BOJ and the Fed.
- USD/MYR snapped a three-day losing streak to close 0.2% higher at 4.2125 on Friday. In the week ahead, we expect the pair to trade on a neutral tone, likely staying within a range of 4.19-4.23 on neutral technical indicators and an absence of fresh market catalysts amid continued Russia-Ukraine and Fed rate hike chatter.
- Oil prices plunged further on Friday as more International Energy Agency (IEA) members plan to follow in the US' footsteps to tap into their respective oil reserve. Brent crude lost 3.3% to \$104.39/barrel while WTI dropped 1.0% to \$99.27/barrel. Both benchmarks were down by around 13% for the week.

US economy added 431k jobs in March; jobless rate fell to 3.6%:

- Friday's nonfarm job report confirms that the US labour market is in a solid state of conditions. Payrolls rose by 431k in March, lower than the consensus forecast of 490k but was accompanied by a 95k net revision for Jan-Feb. Job gains concentrated in leisure and hospitality, professional and business services, retail trade, and manufacturing.
- Notably, the unemployment rate fell to 3.6%, from 3.8% prior despite the rise in labour participation rate (from 62.3% to 62.4%). This was the lowest jobless rate recorded since Feb-2020 before the global pandemic shocked the job market.
- Wage growth accelerated further amid strong hiring demand and widespread labour shortages. The average hourly earnings rose 0.4% m/m in March (Feb: +0.1%) and translated to a 5.6% y/y growth (Feb: +5.2%).
- In a separate release, construction spending fell short of expectation in February, picking up 0.5% m/m versus forecast of 1.0%. Private residential spending drove

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	34,818.27	0.40
S&P 500	4,545.86	0.34
NASDAQ	14,261.50	0.29
Stoxx 600	458.34	0.54
FTSE 100	7,537.90	0.30
Nikkei 225	27,665.98	-0.56
Hang Seng	22,039.55	0.19
Straits Times	3,419.11	0.31
KLCI 30	1,602.41	0.95
FX		
Dollar Index	98.63	0.33
EUR/USD	1.1043	-0.22
GBP/USD	1.3114	-0.18
USD/JPY	122.52	0.67
AUD/USD	0.7496	0.19
USD/CNH	6.3678	0.21
USD/MYR	4.2125	0.21
USD/SGD	1.3570	0.18
Commodities		
WTI (\$/bbl)	99.27	-1.01
Brent (\$/bbl)	104.39	-3.26
Gold (\$/oz)	1,919.10	-1.54

Source: Bloomberg, HLBB Global Markets Research

February's gain. Meanwhile, January's spending was revised higher to show a 1.6% m/m increase.

Manufacturing PMIs slumped across key economies:

- Global manufacturing conditions weakened in March, reflecting challenges related to higher prices and renewed material shortages in the wake of the Russia-Ukraine war. The US ISM Manufacturing Index slipped to 57.1 in March (Feb: 58.6) although the corresponding Markit US PMI rose to 58.8 (Feb: 57.3). The Eurozone Markit Manufacturing PMI fell to 56.5 in March (Feb: 58.2) while the same gauge for the UK also came in lower at 55.2 (Feb: 58.0).
- In Asia, Japan's manufacturing PMI rebounded to 54.1 (Feb: 52.7), attributed to the renewed increase in new orders. China Caixin Markit PMI fell to 48.1 (Feb: 50.4) as manufacturing activity was disrupted by the tighter restrictions introduced to curb the Covid-19 outbreak.
- Vietnam's manufacturing PMI dipped to 51.7 (Feb: 54.3) while Malaysia's PMI fell to the contractionary level of 49.6 (Feb: 50.9).

Eurozone's inflation hit new record:

- The Eurozone's preliminary HICP inflation surged to 2.5% m/m in March, from 0.9% prior. The y/y CPI rate shot higher to 7.5%, from 5.9% previously and exceeded the consensus forecast of 6.7%. All major categories recorded higher prices, led by the nearly 48% increase in energy costs. The core HICP inflation rate accelerated to 3.0% y/y (Feb: +2.7%) as services inflation inched up to 2.7% y/y (Feb: +2.5%), pointing to the potential materialisation of an entrenched underlying inflation that may put the ECB in a difficult position to tighten policy at a faster pace amid the Russia-Ukraine crisis.

Australia home loans dropped in February:

- Australia's home loan approved amount unexpectedly fell 3.7% m/m in February (Jan: +2.5%). Analysts had expected loans to increase. Loans extended to owner occupiers (-4.7% m/m) and investor (-1.8% m/m) were down that month, reflecting the temporary impact of the Omicron outbreak at the start of 2020.

House View and Forecasts

FX	This Week	1Q-22	2Q-22	3Q-22	4Q-22
DXY	97-99	96.15	96.40	96.30	96.30
EUR/USD	1.10-1.12	1.13	1.12	1.12	1.13
GBP/USD	1.30-1.32	1.34	1.33	1.35	1.36
AUD/USD	0.74-0.76	0.72	0.72	0.74	0.75
USD/JPY	120-124	115	116	115	114
USD/MYR	4.19-4.23	4.17	4.15	4.15	4.10
USD/SGD	1.35-1.37	1.35	1.34	1.34	1.33

Rates, %	Current	1Q-22	2Q-22	3Q-22	4Q-22
Fed	0.25-0.50	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	0.75	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
04/04	EZ Sentix Investor Confidence (Apr)	-7.0
	SI Purchasing Managers Index (Mar)	50.2
	US Factory Orders (Feb)	1.4%
	US Durable Goods Orders (Feb F)	-2.2%

05/04	US Cap Goods Orders Nondef Ex Air (Feb F)	-0.3%
	JP Labor Cash Earnings YoY (Feb)	0.9%
	JP Household Spending YoY (Feb)	6.9%
	JP Jibun Bank Japan PMI Services (Mar F)	48.7
	SI S&P Global Singapore PMI (Mar)	52.5
	AU RBA Cash Rate Target (05 Apr)	0.1%
	SI Retail Sales YoY (Feb)	11.8%
	EZ S&P Global Eurozone Services PMI (Mar F)	54.8
	UK S&P Global/CIPS UK Services PMI (Mar F)	61.0
	US Trade Balance (Feb)	-\$89.7b
	US S&P Global US Services PMI (Mar F)	58.9
	US ISM Services Index (Mar)	56.5

Source: Bloomberg

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