

5 July 2022

Global Markets Research
Daily Market Highlights

05-July: Markets lacked direction on US holiday

Global stocks traded on mixed note; US futures pointed to renewed selling

Yields moved higher; German bunds bear flattened

Dollar registered mixed performances; AUD strengthened ahead of RBA's rate hike

- The US markets were closed on Monday for the fourth of July Independence holiday. Stock futures were seen pointing down this morning, suggesting a renewed selling on Tuesday. On Monday, global stocks traded on a mixed note as investors continued to assess the possibility of a recession amid higher interest rates.
- Stocks mostly edged higher in Europe with the pan-European STOXX Europe 600 index posted its first gain in five sessions. In Asia, the equity markets saw mixed performances across the region, as Japan's Nikkei 225 rose 0.8% while Hong Kong's Hang Seng index registered marginal decline (-0.1%).
- In the bond market, global yields moved higher. German bunds extended bear flattening as the markets are pricing in more rate hikes by the ECB at year-end. The benchmark 2Y German bund yield jumped 11bps to 0.61% while the 10Y yield surged 10bps to 1.33%. The UST yields had last closed 8-16bps lower across the curve prior to the holiday.
- The dollar traded mixed against the G10 basket amid a lack of direction. AUD strengthened 0.8% ahead of today's RBA cash rate decision where a 50bp hike is expected. The GBP rose modestly while the EUR was little changed. JPY depreciated by 0.3%. The dollar index was unchanged at 105.14.
- The MYR weakened 0.1% against the USD to close at 4.4135. The focus remains on this week's BNM OPR decision. Our house view calls for a further 25bp increase in the OPR but we are not discounting the possibility of a bigger 50bp hike, which if materializes, could infuse some fresh leads for the MYR. We are still neutral to slightly bullish on USD/MYR in the range of 4.39-4.42 for now.
- Brent crude closed 1.7% higher at \$113.50/barrel as traders mulled tight supply and softer demand, after having declined for the past three sessions. WTI is seen shifting 2.1% higher to \$110.66/barrel this morning.

Eurozone's investor confidence deteriorated in July:

- The Sentix Investor Confidence Index plummeted to -26.4 in July, down from -15.8 in June. The deterioration in investor confidence reflects further downgrades of current situation and expectations amid increasing talks of recessions in western developed economies as central banks strive to combat inflation by raising rates.
- The producer price inflation eased substantially to 0.7% m/m in May, from 1.2% in April, driven by smaller price gains across the board, except energy (which posted a marginal decline). This translates to a weaker, but still historically elevated 36.3% y/y annual PPI rate (Apr: +37.2%).

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones *	31,097.26	1.05
S&P 500*	3,825.33	1.06
NASDAQ*	11,127.84	0.90
Stoxx Eur 600	409.31	0.54
FTSE 100	7,232.65	0.89
Nikkei 225	26,153.81	0.84
Hang Seng	21,830.35	-0.13
Straits Times	3,120.24	0.80
KLCI 30	1,437.52	-0.84
FX		
Dollar Index	105.14	0.00
EUR/USD	1.0422	0.08
GBP/USD	1.2118	0.19
USD/JPY	135.62	0.30
AUD/USD	0.6866	0.76
USD/CNH	6.6942	-0.05
USD/MYR	4.4135	0.14
USD/SGD	1.3955	-0.09
Commodities		
WTI (\$/bbl)*	108.43	2.52
Brent (\$/bbl)	113.50	1.68
Gold (\$/oz)*	1,801.50	-0.32

*Closings for 01 July 2022
 Source: Bloomberg, HLBB Global Markets Research

Australia's home loans rose in May:

- Australia's home loan approvals rose 1.7% m/m in May, beating the expectations for a 2.5% decline. The increase in approvals came following the 2.8% m/m fall in April and was driven by both investor loans and owner-occupied loans. Home loans seem to be holding up for the past few months as the mortgage market is yet to experience the impact of higher interest rates. The RBA's continuous tightening may soon dampen demand for mortgages.
- In a separate report, building approvals in Australia surged 9.9% m/m in the same month, besting the estimates of and April's reading of -2.0% and -3.9% respectively.

Japan's labour cash earnings eased; compounded by inflation:

- Labour cash earnings reported easier gains for the 2nd straight month, at a slower than expected pace of 1.0% y/y in May, while April's gain was also revised lower from 1.7% to 1.3% y/y. Slower increase in overtime hours offset the quicker increase in regular earnings.
- Meanwhile, real cash earnings extended its decline for the 2nd straight month and at a bigger than expected rate of 1.8% y/y (Apr: -1.7% revised). This marked its first back-to-back decline since Jan-21, adding to signs inflation will continue to eat into consumers' income and spending.

Singapore's PMI reflects strong electronics sector:

- Singapore's official PMI slipped to 50.3 in June, down from 50.4 prior. The electronics sub-index rose substantially to 50.8 (May: 50.5), reflecting the stronger electronics new orders, new exports as well as output, painting a continuously robust sector.

House View and Forecasts

FX	This Week	2Q-22	3Q-22	4Q-22	1Q-23
DX	103-106	106.00	108.00	105.00	103.00
EUR/USD	1.03-1.06	1.02	1.00	1.01	1.03
GBP/USD	1.21-1.23	1.21	1.20	1.22	1.24
AUD/USD	0.67-0.70	0.69	0.68	0.69	0.70
USD/JPY	135-137	133.00	135.00	133.00	132.00
USD/MYR	4.39-4.42	4.38	4.40	4.38	4.35
USD/SGD	1.38-1.40	1.39	1.40	1.38	1.37

Rates, %	Current	2Q-22	3Q-22	4Q-22	1Q-23
Fed	1.50-1.75	1.50-1.75	2.50-2.75	3.00-3.25	3.00-3.25
ECB	-0.50	-0.50	0.00	0.50	0.50
BOE	1.25	1.25	2.00	2.00	2.00
RBA	0.85	0.85	1.60	1.60	1.60
BOJ	-0.10	-0.10	-0.10	-0.10	-0.10
BNM	2.00	2.00	2.50	2.75	2.75

Source: HLBB Global Markets Research

Up Next

Date	Events	Prior
05/07	JP Jibun Bank Japan PMI Services (Jun F)	54.2
	SG S&P Global Singapore PMI (Jun)	59.4
	CN Caixin China PMI Services (Jun)	41.4
	AU RBA Cash Rate Target (05 Jul)	0.85%
	SG Retail Sales YoY (May)	12.1%
	EZ S&P Global Eurozone Services PMI (Jun F)	52.8
	UK S&P Global/CIPS UK Services PMI (Jun F)	53.4
06/07	US Factory Orders (May)	0.3%
	HK S&P Global Hong Kong PMI (Jun)	54.9
	MA BNM Overnight Policy Rate (06 Jul)	2.00%

Hong Leong Bank Berhad

Fixed Income & Economic Research, Global Markets
 Level 8, Hong Leong Tower
 6, Jalan Damansara
 Bukit Damansara
 50490 Kuala Lumpur
 Tel: 603-2081 1221
 Fax: 603-2081 8936

HLMarkets@hlbb.hongleong.com.my

EZ Retail Sales MoM (May)	-1.3%
US MBA Mortgage Applications (01 Jul)	0.7%
US S&P Global US Services PMI (Jun F)	51.6
US ISM Services Index (Jun)	55.9
US JOLTS Job Openings (May)	11400k

Source: Bloomberg

DISCLAIMER

This report is for information purposes only and does not take into account the investment objectives, financial situation or particular needs of any particular recipient. The information contained herein does not constitute the provision of investment advice and is not intended as an offer or solicitation with respect to the purchase or sale of any of the financial instruments mentioned in this report and will not form the basis or a part of any contract or commitment whatsoever.

The information contained in this publication is derived from data obtained from sources believed by Hong Leong Bank Berhad ("HLBB") to be reliable and in good faith, but no warranties or guarantees, representations are made by HLBB with regard to the accuracy, completeness or suitability of the data. Any opinions expressed reflect the current judgment of the authors of the report and do not necessarily represent the opinion of HLBB or any of the companies within the Hong Leong Bank Group ("HLB Group"). The opinions reflected herein may change without notice and the opinions do not necessarily correspond to the opinions of HLBB. HLBB does not have an obligation to amend, modify or update this report or to otherwise notify a reader or recipient thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

HLB Group, their directors, employees and representatives do not have any responsibility or liability to any person or recipient (whether by reason of negligence, negligent misstatement or otherwise) arising from any statement, opinion or information, expressed or implied, arising out of, contained in or derived from or omission from the reports or matter.

Potential and actual conflict of interest may arise from the activities of HLB Group. HLB Group constitute a diversified financial services group. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, hedging transactions and other activities for their own account or the account of others. In the ordinary course of their business, HLB Group may effect transactions for their own account or for the account of their customers and hold long or short positions in the financial instruments. HLB Group, in connection with its business activities, may possess or acquire material information about the financial instruments. Such activities and information may involve or have an effect on the financial instruments. HLB Group have no obligation to disclose such information about the financial instruments or their activities.

The past performance of financial instruments is not indicative of future results. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Any projections or forecasts mentioned in this report may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information. No assurance can be given that any opinion described herein would yield favourable investment results. Recipients who are not market professional or institutional investor customer of HLBB should seek the advice of their independent financial advisor prior to taking any investment decision based on the recommendations in this report.

HLBB may provide hyperlinks to websites of entities mentioned in this report, however the inclusion of a link does not imply that HLBB endorses, recommends or approves any material on the linked page or accessible from it. Such linked websites are accessed entirely at your own risk. HLBB does not accept responsibility whatsoever for any such material, nor for consequences of its use.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. This report is for the use of the addressees only and may not be redistributed, reproduced or passed on to any other person or published, in part or in whole, for any purpose, without the prior, written consent of HLBB. The manner of distributing this report may be restricted by law or regulation in certain countries. Persons into whose possession this report may come are required to inform themselves about and to observe such restrictions. By accepting this report, a recipient hereof agrees to be bound by the foregoing limitations.