

Global Markets Research
Daily Market Highlights

5 Dec: US stocks cut much of their losses post NFP data

Treasury yield pulled back from earlier gains; DXY dipped 0.2%

NFP moderated less than expected to 263k, jobless rate steadied at 3.7%

Oil prices slipped as EU put price cap at \$60/barrel, OPEC+ to maintain output level

- Stocks cut much of their earlier losses Friday as investors looked past hotter-than-expected labor data to the upcoming Federal Reserve meeting. The Dow Jones Industrial Average closed up just 0.1% d/d, while the S&P 500 dipped 0.1% d/d, rebounding from an earlier loss of 1.2%. The Nasdaq Composite also pared losses to end only 0.2% lower.
- It should be noted that Chicago Fed President Charles Evans spoke during the day and said that the pace of increases is likely to slow, but added that the U.S. central bank will likely need to raise borrowing costs to a “slightly higher” peak than envisioned in forecasts from September. Richmond Fed President Thomas Barkin also said the United States is likely in a sustained period in which there will remain a shortage of workers, complicating the Fed’s aim of getting labor demand back into balance.
- European and Asian-Pacific markets, meanwhile, closed lower as investors closely monitored news from China over its zero-Covid policy and U.S. non-farm payrolls data. Stoxx 600 closed down 0.2% d/d, while in Japan, the Nikkei 225 traded 1.6% d/d lower. Hang Seng index struggled for direction and fell 0.3% d/d. In China, CSI300 lost 0.6% d/d, led by shares in real estate developers after Moody’s reported that “The outlook on the (property) sector remains negative because of sluggish demand, and while the government’s new policies could ease funding constraints, they will take time to have an effect.”
- Treasury yields pulled back from an earlier pop on Friday as investors looked beyond stronger-than-expected labour data. The yield on the 10-year Treasury closed the day down by 2bps at 3.49%, after hitting an intraday high of 3.63%. The 2-year Treasury yield gained just over 4bps to 4.27%. Following the new data, it soared as high as 4.40% earlier in the day.
- The dollar dipped with the DXY Index down 0.2% d/d as investors took profits from earlier gains after jobs data and wage inflation were surprisingly strong. The EUR gained 0.1% d/d, the GBP added 0.3%, JPY strengthened by 0.8% and Chinese yuan at +0.3% d/d. Ringgit also strengthened 0.4% d/d to close at 4.3883.
- Both Brent and West Texas Intermediate (WTI) slipped 1.5% d/d ahead of a meeting of the OPEC+ as well as an EU ban on Russian crude. As it is, the latter decided to put a price cap at \$60/barrels for Russian oil exports, while the former decided to leave its production unchanged in the latest meeting. Gold fell 0.3% d/d after hitting its highest since Aug 10 a day earlier.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	34,429.88	0.10
S&P 500	4,071.70	-0.12
NASDAQ	11,461.50	-0.18
Stoxx Eur 600	443.29	-0.15
FTSE 100	7,556.23	-0.03
Nikkei 225	27,777.90	-1.59
Hang Seng	18,675.35	-0.33
Straits Times	3,259.14	-1.02
KLCI 30	1,481.80	-0.65
FX		
Dollar Index	104.55	-0.17
EUR/USD	1.0535	0.14
GBP/USD	1.2280	0.27
USD/JPY	134.31	-0.75
AUD/USD	0.6790	-0.31
USD/CNH	7.0210	-0.25
USD/MYR	4.3883	-0.42
USD/SGD	1.3516	-0.14
Commodities		
WTI (\$/bbl)	79.98	-1.53
Brent (\$/bbl)	85.57	-1.51
Gold (\$/oz)	1,795.90	-0.29
Copper (\$\$/MT)	8,450.00	1.37
Aluminum(\$/MT)	2,545.50	2.43
CPO (RM/tonne)	4,071.00	-0.67

Source: Bloomberg, HLBB Global Markets Research

NFP moderated less than expected to 263k, jobless rate steadied at 3.7%

- Nonfarm payrolls grew by 263k in November, better than street estimate of 200k. October's NFP was revised upwards from 261k to 284k. Unemployment rate held steady as expected at 3.7%, but labour force participation dropped slightly to 62.1%, suggesting more limitations on job supply. Big job gainers by industry included health care, professional and technical services, and leisure and hospitality. Job gains in manufacturing sector, nevertheless, slowed significantly and was lower than street estimate at +14k. Average hourly earnings picked up more than expected to 0.6% m/m, a sign wage inflation remains prevalent in the system.

Eurozone PPI moderated for second month to 30.8% y/y

- Eurozone producer price inflation (PPI) slowed for the second consecutive month in October reflecting a notable reduction in energy price growth. Although inflation eased for a second month and remained below consensus forecast of 31.7% y/y, PPI remained elevated at +30.8% y/y (vs +41.9% y/y in September). Excluding energy, producer price inflation came in at 14.0% y/y, slower than 14.5% y/y in September.

Australia Services-PMI shrank at a quicker pace

- The S&P Global Australia Services PMI slid to 47.6 in November from 49.3 in October. This marked a second consecutive month in which the PMI stood below the 50.0 threshold and the sharpest fall since January. The decline in new orders were underpinned by weaker economic backdrop, flooding issues and as a result of rising interest rates. Foreign demand also declined for a second straight month.

Singapore PMI beat estimate unexpectedly ticked higher but remained contractionary

- Singapore's PMI for November remained in the negative territory for the 3rd month at 49.8 (Oct: 49.7 and consensus: 49.5). The Electronics Sector PMI mirrored headline, also gaining 0.1ppts to 49.2. Anecdotal evidences suggest that local manufacturers are less optimistic of the economic outlook going forward into the first half of next year, with demand weighed down by weaker global demand and China's Covid-19 containment measures.

House View and Forecasts

FX	This Week	4Q-22	1Q-23	2Q-23	3Q-23
DXY	102-105	100.00	98.00	96.04	96.04
EUR/USD	1.04-1.07	1.08	1.10	1.11	1.11
GBP/USD	1.21-1.25	1.25	1.26	1.27	1.27
USD/JPY	133-138	133	130	128	128
AUD/USD	0.67-0.69	0.69	0.70	0.72	0.72
USD/MYR	4.35-4.45	4.36	4.31	4.28	4.28
USD/SGD	1.34-1.36	1.33	1.32	1.30	1.30

Rates, %	Current	4Q-22	1Q-23	2Q-23	3Q-23
Fed	3.75-4.00	4.25-4.50	4.75-5.00	4.75-5.00	4.75-5.00
ECB	2.00	2.75	2.75	2.75	2.75
BOE	3.00	3.25	3.25	3.25	3.25
BOJ	-0.10	-0.10	-0.10	-0.10	-0.10
RBA	2.85	3.10	3.10	3.10	3.10
BNM	2.75	2.75	3.00	3.00	3.00

Source: HLBB Global Markets Research

Up Next

Date	Events	Prior
5-Dec	AU Melbourne Institute Inflation MoM (Nov)	0.40%
	JN Jibun Bank Japan PMI Services (Nov F)	49.4
	HK S&P Global Hong Kong PMI (Nov)	49.3
	SI S&P Global Singapore PMI (Nov)	57.7
	CH Caixin China PMI Services (Nov)	48.4
	SI Retail Sales YoY (Oct)	11.20%
	EC S&P Global Eurozone Services PMI (Nov F)	48.6
	EC Sentix Investor Confidence (Dec)	-30.9
	UK S&P Global/CIPS UK Services PMI (Nov F)	48.8
	EC Retail Sales MoM (Oct)	0.40%
	US S&P Global US Services PMI (Nov F)	46.10
	US Factory Orders (Oct)	0.30%
	US Durable Goods Orders (Oct F)	1.00%
	US Cap Goods Orders Nondef Ex Air (Oct F)	0.70%
	US ISM Services Index (Nov)	54.4
6-Dec	JN Household Spending YoY (Oct)	2.30%
	JN Labor Cash Earnings YoY (Oct)	2.10%
	AU RBA Cash Rate Target (39052)	2.85%
	UK S&P Global/CIPS UK Construction PMI (Nov)	53.2
	US Trade Balance (Oct)	-\$73.3b

Source: Bloomberg

Hong Leong Bank Berhad

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

HLMarkets@hlbb.hongleong.com.my

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