6 May 2022

Global Markets Research
Daily Market Highlights

6-May: Broad market selloffs

Stocks and bonds slumped amid renewed growth and inflation concerns
USD rebounded above 103; a two-decade high
BOE hiked 25bps as expected; grim assessment prompted selloff in the GBP

- Global equities saw a massive sell-off and bonds slumped, erasing the relief rally seen post-FOMC as concerns over stagflation, geopolitical uncertainties and potential economic fallout from China's localised lockdown returned to the fore, not forgetting market jittery ahead of tonight's all important nonfarm and other job data from the US. The three US benchmark stock indices ended the day 3.1-5.0% lower. European and Asian stocks generally ended in the red. FTSE100 appeared to be the rare one out eking out a 0.1% gain after going through a roller coaster ride pre and post BOE announcement.

- US treasuries reversed course and saw yields jumping 6-11bps higher across the curve amid a broad selloff in the markets. The curve bear steepened with the 2s rising 6bps to 2.70% while the 10Y note yields clocked in a 10bps increase to 3.04%.

- In the FX market, the Dollar Index climbed steadily through the day back above the 103 handle to settle the day 1.1% higher at 103.75, off its intraday high of 103.94. The USD gapped up post-BOE announcement as the central bank painted a grim growth picture of the UK economy despite raising rates by a further 25bps to 1.00% to tackle inflation. The GBP gapped down close to 200pips and ended near the day-low at 1.2362, down 2.1% d/d.

- USD/MYR erased early session decline and started climbing in Asian afternoon session to eventually end the day marginally higher at 4.3490 on Thursday, just 5pips higher than Wednesday's 4.3485, as the greenback regained some lost grounds in the afternoon trading session. We expect the pair to trade in a slightly bullish pattern within a range of 4.34-4.36 ahead of the weekend.

- Gold turned out to be the gainer for the day supported by its appeal as an inflation hedge. Gold futures increased 0.4% to $1875.70/oz. Crude oil prices extended its upward climb on expectations of measured increase in supply by OPEC and Russian oil ban by Europe. Brent crude rose 0.7% to $110.90/barrel whilst US WTI advanced 0.4% to $108.26/barrel.

US initial jobless claims saw a surprised increase

- Initial jobless claims unexpectedly increased to 200k for the week ended 30-April (prior: 181k revised), back to the 200k level for the first time in eleven weeks. Meanwhile, continuing claims pulled back to 1384k for the week ended 23-Apr (prior: 1403k). The latest job print seems to suggest slowing hiring activities although the labour market remains tight overall. Tonight's nonfarm job gains will be a key health check on the momentum in the job market.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	32,997.97	-3.12
S&P 500	4,146.87	-3.56
NASDAQ	12,317.69	-4.99
Stoxx 600	438.26	-0.70
FTSE 100	7,503.27	0.13
Nikkei 225	26,818.53	-0.11
Hang Seng	20,793.40	-0.36
Straits Times	3,343.57	-0.17
KLCI 30	1,582.98	-1.09
FX		
Dollar Index	103.75	1.14
EUR/USD	1.0542	-0.75
GBP/USD	1.2362	-2.13
USD/JPY	130.20	0.86
AUD/USD	0.7112	-2.04
USD/CNH	6.6819	0.90
USD/MYR	4.3490	0.01
USD/SGD	1.3846	0.76
Commodities		
WTI ($/bbl)	108.26	0.42
Brent ($/bbl)	110.90	0.69
Gold ($/oz)	1,875.70	0.37

Source: Bloomberg, HLBB Global Markets Research

BOE hiked 25bps as expected; PMI services weakened less than flash estimate

- BOE hiked rates by 25bpst to 1.00% as expected. What was interesting was the vote was split between 6-3 with the minority favouring a 50bps hike, as the latest inflation print came in more than 3x from BOE's 2.0% target. In its latest May Report central projection, the BOE projects that inflation will quicken to 9.0% in 2Q22 (Mar: +7.0%), and further accelerate to just over 10% in 4Q22. On the contrary, GDP growth is expected to slow sharply in 1H2022 dragged by impact of higher global energy and goods prices on household's real incomes and companies' profit margins. The BOE also said it will consider kickstarting the sale of UK government bonds under its Asset Purchase Facility, timing of which would depend on economic circumstances.
- Final print of S&P global PMI services came in higher than the flash estimate of 58.3 at 58.9 in April, suggesting a slightly smaller pullback from March's 62.6. This was dragged by slower expansion in new business, although overall services activities continued expanding at decent pace as the UK economy was among the first to enter endemic phase.

China Caixin services index contracted more than expected in April

- Caixin PMI services plunged more than expected to 36.2 in April, deepening from the 42.0 contraction in March. This marked its first back-to-back contraction since Apr-20 during the initial outbreak of the pandemic, and the worst reading since Feb-20. Localised lockdown in China has severely dented sentiments and consumer spending, exerting downward pressure on the already slowing China economy, and keeping PBoC on an easing stance in the foreseeable future.

Hong Kong retail sales saw extended declines amid social curbs; PMI rebounded

- Meanwhile, retail sales in Hong Kong posted declines for the 2nd straight month. Sales fell more than expected by 13.8% y/y in March (Feb: -14.6%) as Hong Kong implemented strict social curbs to contain the new wave of virus outbreak. Sales of jewellery, watches & clocks, as well as wearing apparels plunged close to 40% as consumers cut back on discretionary spending. Even core spending on food, alcohol & tobacco as well as fuel contracted. The situation shall gradually improve going into May as Hong Kong seeks to gradually remove restrictions.
- In a separate release, Hong Kong PMI rebounded in April (51.7 vs 42.0 prior), driven by increases in output and new orders.

Upbeat retail sales growth in Singapore

- Singapore retail sales turned around more than expected to increase 8.7% y/y in March (Feb: -3.5% revised), thanks to a broad improvement across most key categories adding to signs of continuous healthy recovery ahead. Higher sales were seen in departmental store sales (+9.3% vs -10.7% y/y), food & alcohol (+19.6% vs -16.2%), fuel (+23.9% vs +9.1%), cosmetics, toiletries & medical goods (+25.2% vs +18.5%), wearing apparel & footwear (+25.8% vs -3.1%), computer & telecommunication equipment (+27.3% vs +6.6%) among others.

Malaysia S&P global PMI rebounded

- The global PMI for Malaysia rebounded back above expansionary territory, to 51.6 in April, leaving the 49.6 contraction in March as just a blip. Both output (remained contractionary) and new orders improved from prior month.

Australia's trade surplus widened amid fall in imports; building approvals contracted

- Exports registered a minor 0.1% m/m decline in March, staying flat for the 2nd consecutive month reflecting subdued global demand. Exports of key commodities like coal, gold and wheat fell, offsetting increases from iron ore and natural gas. This underperformed market expectation for a 3.0% m/m increase. Meanwhile, imports fell 5.0% m/m as expected (Feb: +13.0% m/m revised), hence widening the trade surplus to A$9.31bn (Feb: A$7.44bn revised)
- Building approvals took a sharp reversal and fell 18.5% m/m in March, shrugging off the abnormal 42.0% m/m record gain which was driven by public housing in February. For the month of March, the decline was due to lower approvals for private dwellings excluding houses, which may not be concluded as a weakening sign in residential construction given the volatile nature of apartment approvals.

House View and Forecasts

FX	This Week	2Q-22	3Q-22	4Q-22	1Q-23
DXY	101-103	98.5	99.0	98.0	97.5
EUR/USD	1.04-1.07	1.10	1.09	1.10	1.12
GBP/USD	1.24-1.27	1.29	1.28	1.30	1.31
AUD/USD	0.70-0.74	0.76	0.77	0.76	0.76
USD/JPY	127-131	121	120	120	120
USD/MYR	4.32-4.36	4.20	4.18	4.16	4.16
USD/SGD	1.36-1.39	1.36	1.35	1.34	1.33

Rates, %	Current	2Q-22	3Q-22	4Q-22	1Q-23
Fed	0.75-1.00	1.25-1.50	2.00-2.25	2.50-2.75	2.50-2.75
ECB	-0.50	-0.50	-0.50	-0.25	-0.25
BOE	1.00	1.25	1.25	1.25	1.25
RBA	0.35	0.50	0.75	1.00	1.25
BOJ	-0.10	-0.10	-0.10	-0.10	-0.10
BNM	1.75	1.75	2.00	2.00	2.25

Source: HLBB Global Markets Research

Up Next

Date	Events	Prior
06/05	US Change in Nonfarm Payrolls (Apr)	431k
	US Unemployment Rate (Apr)	3.6%
	US Labor Force Participation Rate (Apr)	62.4%
09/05	JP Labor Cash Earnings YoY (Mar)	1.2%
	JP Jibun Bank Japan PMI Services (Apr F)	--
	EZ Sentix Investor Confidence (May)	-18.0
	CN Exports YoY (Apr)	14.7%
	CN Imports YoY (Apr)	-0.1%

Source: Bloomberg

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