7 March 2022

Global Markets Research

Daily Market Highlights

07-Mar: Crude oil prices above $120/barrel

Ukraine-Russia war overshadowed strong US job data

Flight to safety boosted treasuries, gold and USD

Crude oil prices shot up as US and allies discuss Russian oil embargo

- The selloff in US equities extended to Friday as the Ukraine-Russia war overshadowed the robust US job data. The Dow Jones fell 0.5%, the S&P 500 lost 0.8% and NASDAQ shed 1.7% on Friday. Earlier, European benchmarks (DAX, CAC 40, and FTSE, STOXX Europe) recorded steeper declines of 3.5-4.6% while Hong Kong and Japanese stocks were down by 2.2-2.5%.

- US treasuries rose on Friday, boosted by haven demand. This resulted in 5.4-11.0bps declines in treasury yields across the board and flatter yield curves. The benchmark 10Y UST yield was last seen at 1.73% (-11bps) on Friday, its lowest closing since mid-January.

- The greenback generally strengthened on Friday, as it rose against most G10 and nearly all emerging market counterparts. USD weakened against only a handful of currencies such as the NZD (+0.9%) and AUD (+0.6%) on the back of soaring oil prices as well as the JPY (+0.6%) due to its safe haven nature. Investors dumped the euro leaving EUR/USD to depreciate by a whopping 1.3% in a single session; the pound fell 0.9% as well. The dollar index surged 0.9% to 98.65.

- USD/MYR closed 0.2% lower at 4.1780 as the ringgit defied the weak EMs trend thanks to the higher crude oil prices and strong economic expectations. We are neutral on the pair this week, expecting the MYR to remain well supported by the elevated commodity prices but also taking into account the USD's potential countering strength given the heightened geopolitical uncertainties.

- Gold prices surged by 1.6% to $1966.6/oz on safe haven demand. Oil prices soared further on intensifying supply fear. Brent crude jumped 6.9% to $118.11/barrel and WTI outperformed slightly (+7.4%), settling at $115.68/barrel.

- The rally extended to this morning as the market reopened; the US and its allies are discussing a possible embargo of Russian oil. Brent crude soared to as high as $139.13/barrel before retreating to $128.15/barrel as of writing whereas WTI was seen at $124.87/barrel. Global stock futures pointed down this morning, indicating another negative session for equities.

US payrolls rose 678k in February:

- The US economy added 678k jobs in the month of February, beating the expected gain of 423k. This followed the upwardly revised 481k job gains in January, a confirmation that the US job conditions are strong and were able to weather the Omicron disruptions relatively well.
- Unemployment rate fell to 3.8%, versus 3.9% consensus estimates. In January, the unemployment rate was at 4.0%. The labour participation rate rose slightly to 62.3%, from 62.2% prior.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	33,614.80	-0.53
S&P 500	4,328.87	-0.79
NASDAQ	13,313.44	-1.66
Stoxx 600	421.78	-3.56
FTSE 100	6,987.14	-3.48
Nikkei 225	25,985.47	-2.23
Hang Seng	21,905.29	-2.50
Straits Times	3,226.78	-0.83
KLCI 30	1,603.94	-0.90
FX		
Dollar Index	98.65	0.88
EUR/USD	1.0928	-1.25
GBP/USD	1.3230	-0.88
USD/JPY	114.82	-0.55
AUD/USD	0.7370	0.56
USD/CNH	6.3252	0.04
USD/MYR	4.1780	-0.24
USD/SGD	1.3604	0.31
Commodities		
WTI ($/bbl)	115.68	7.44
Brent ($/bbl)	118.11	6.93
Gold ($/oz)	1,966.60	1.59

Source: Bloomberg, HLBB Global Markets Research

- The average hourly earnings were unchanged on a m/m basis following the 0.6% m/m growth in the previous month. On a y/y basis, earnings were 5.1% higher compared to February last year (Jan: +5.5%), missing the forecast of 5.8%. Nonetheless, the overall job report was assessed to be upbeat and helped firm up expectations of a 25 basis-point rate hike by the Federal Reserves on 16 March.

Retail sales weakened in Eurozone and HK, fell in Singapore:

- Retail sales in the Eurozone underperformed expectations in January, increasing by a mere 0.3% m/m, versus the consensus forecast of 1.5%. December's sales data were revised to reflect a smaller 2.7% m/m decline. The restrictions to contain the Omicron variants remained in place that month, resulting in fall in fuel sales and lacklustre performance in sales of food, drink & tobacco as well as non-food products. On a y/y basis, sales rose 7.8% (Dec: +2.1%) thanks to low base effect.
- Hong Kong's retail sales rose 1.8% m/m in January, extending from the 8.3% growth in December, reflecting the seasonal demand related to the Lunar New Year celebration before the Covid situation worsened further in February to the tens of thousands of cases. Sales are festivity-driven as reflected in the sharp increase in sales of food and supermarket items. Compared to the same month last year, retail sales rose 4.1% y/y (Dec: +6.1%).
- Meanwhile, in Singapore, the retail sector suffered a 2.5% m/m decline in sales in January, snapping a four-month gaining streak. December's sales data also saw a huge downward revision to 1.3% (from +2.3%). In January, sales of food & alcohol recorded a sharp fall of nearly 18% alongside declines in motor vehicles, cosmetics, apparels, and computer & gadgets. This came as the number of Covid cases began to rise before increasing further in February. On a y/y basis, retail sales growth accelerated to 11.8%, from 6.7% previously.

House View and Forecasts

FX	This Week	1Q-22	2Q-22	3Q-22	4Q-22
DXY	97-100	96.15	96.40	96.30	96.30
EUR/USD	1.08-1.11	1.13	1.12	1.12	1.13
GBP/USD	1.31-1.34	1.34	1.33	1.35	1.36
AUD/USD	0.72-0.75	0.72	0.72	0.74	0.75
USD/JPY	114-116	115	116	115	114
USD/MYR	4.17-4.20	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	0.00-0.25	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
07/03	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%
08/03	JP Labor Cash Earnings YoY (Jan)	-0.4%
	AU NAB Business Confidence (Feb)	3.0
	EZ Employment QoQ (4Q F)	0.5%

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EZ GDP SA QoQ (4Q F)	0.3%
US NFIB Small Business Optimism (Feb)	97.1
US Trade Balance (Jan)	-$80.7b

Source: Bloomberg