7 June 2022

Global Markets Research

Daily Market Highlights

07-June: RBA in focus today

US stocks narrowed gains to end modestly higher

10Y UST yields climbed back above 3.0% for the first time in a month

JPY weakened to a two-decade low vs the USD on widening rate differential prospects

- US stocks pared early session gains to end Monday modestly higher by between 0.1-0.4%, struggling to rebound from last Friday's selloff post US nonfarm job data that showed a smaller albeit still decent 390k gains in May (Apr: 436k). Unemployment rate did not improve as expected but held steady at 3.6% instead while average hourly earnings eased to 5.2% y/y as expected, offering some reprieve to surging wage growth and inflation. European stocks ended in the green earlier while Asian stocks were mixed. Futures point to mixed openings in Asian markets today tracking the overnight struggle in US stocks as investors continued weighing on the pendulum between growth and inflation outlook.

- Global bond yields continued to nudge higher. US treasuries retreated amid the rise in equities and concerns over corporate bond supply. Yields moved 7-12bps higher across the curve led by the long end. The benchmark 10Y UST yields rose 11bps to 3.04%, back above the 3.00% level for the first time in four weeks, while the 2s notched a 7bps increase to 2.73%.

- The US dollar advanced against all G10s save for the GBP, NOK and CAD. News that UK Prime Minister Boris Johnson survived a confidence vote spurred gains in the sterling by up to 100pips, reaching an intraday high of 1.2577 before narrowing gains to 1.2532 (+0.4% d/d) at close. The JPY weakened 0.8% to 131.88 vs the USD, its weakest in two decades on concerns over widening interest rate gap with the US as the Fed reiterated its rapid rate hikes path. Gold prices fell 0.4% to $1843.70/oz as the USD saw extended gains.

- The MYR market was closed for a public holiday on Monday. To recap, USD/MYR closed marginally lower at 4.3888 on Friday (prior: 4.3892), paring earlier session losses which hit a low of 4.3800 in early morning trade. USD/MYR outlook is neutral in our view, with upside capped at 4.40 for now and 4.35 as a key support.

- Oil benchmarks saw mixed movement. The Brent crude edged 0.2% higher to $119.93/ barrel while the WTI lost 0.3% to $118.50/ barrel. Diversion of Russian oil from the European to the Asian markets is expected to dampen global oil prices near term, as investors continued to weigh tension in Ukraine.

China Caixin PMI services point to continued contraction in services activities:

- Caixin PMI services ticked higher to 41.1 in May (Apr: 36.2) amid some relaxation in movement restrictions. However, this marked its 3rd straight month of contraction and the second lowest since Feb-20, suggesting economic conditions in the services sector remined less than favourable. New export orders fell for the 4th consecutive month while the employment subindex deteriorated further

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	32,915.78	0.05
S&P 500	4,121.43	0.31
NASDAQ	12,061.37	0.40
Stoxx 600	444.12	0.92
FTSE 100	7,608.22	1.00
Nikkei 225	27,915.89	0.56
Hang Seng	21,653.90	2.71
Straits Times	3,226.63	-0.17
KLCI 30	1,537.83	-0.78
FX		
Dollar Index	102.40	0.26
EUR/USD	1.0696	-0.21
GBP/USD	1.2532	0.35
USD/JPY	131.88	0.76
AUD/USD	0.7193	-0.19
USD/CNH	6.6570	0.02
USD/MYR	4.3888	0.00
USD/SGD	1.3766	0.04
Commodities		
WTI ($/bbl)	118.50	-0.31
Brent ($/bbl)	119.93	0.18
Gold ($/oz)	1,843.70	-0.35

Note: KLCI and USD/MYR close as at 3-June
Source: Bloomberg, HLBB Global Markets Research

to its lowest since Feb-21, at 48.5 in May (Apr: 49.3). This was in tandem with the spike in unemployment rate to 6.1% as at April, the highest since Feb-20, and exceeded the government's target of below 5.5%.

Hong Kong PMI expanded for a 2nd straight month in May:

- S&P PMI ticked higher to 54.9 in May (Apr: 51.7), marking its 2nd straight month of expansion and its fastest since Mar-11. This was driven by faster growth in output and new orders as easing of Covid containment measures helped revive activities in the services sector. Higher hiring activities and easing supply constraints which led to lower price inflation are expected to bode well for a rebound in 2Q GDP.

Japan consumers remain cautious as inflation bites:

- Household spending extended its decline and at a bigger than expected pace of 1.7% y/y in April (Mar: -2.3% y/y) a sign of cautiousness among consumers as cash earnings grew at a slower pace. Labour cash earnings eased albeit less than expected to 1.7% y/y in April (Mar: +2.0% upwardly revised) while real cash earnings took a turn and fell 1.2% y/y (Mar: +0.6% y/y upwardly revised), reaffirming the case that higher inflation is taking a toll on real income and consumer spending.

House View and Forecasts

FX	This Week	2Q-22	3Q-22	4Q-22	1Q-23
DXY	101-103	106.00	108.00	105.00	103.00
EUR/USD	1.06-1.09	1.02	1.00	1.01	1.03
GBP/USD	1.25-1.27	1.21	1.20	1.22	1.24
AUD/USD	0.71-0.73	0.69	0.68	0.69	0.70
USD/JPY	127-132	133.00	135.00	133.00	132.00
USD/MYR	4.35-4.40	4.38	4.40	4.38	4.35
USD/SGD	1.36-1.38	1.39	1.40	1.38	1.37

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	2.00	2.00	2.50	2.50	2.75

Source: HLBB Global Markets Research

Up Next

Date	Events	Prior
07/06	AU RBA Cash Rate Target (07 Jun)	0.35%
	EZ Sentix Investor Confidence (Jun)	-22.6
	UK S&P Global/CIPS UK Services PMI (May F)	51.8
	US Trade Balance (Apr)	-$109.8b
08/06	JP GDP SA QoQ (1Q F)	-0.2%
	EZ GDP SA QoQ (1Q F)	0.3%
	US MBA Mortgage Applications (03 Jun)	-2.3%

Source: Bloomberg

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