

7 October 2022

Global Markets Research

Daily Market Highlights

7 Oct: Hawkish Fed speaks

Equities were broadly lower; bond yields and DXY rose

Fed officials offered no signs aggressive rate hikes will be dialled back soon

All eyes on Malaysia budget tabling and US non-farm payroll today

- The US Dow Jones Industrial Average fell 1.2% d/d or 347 points to 29,926.94 on the eve of the all-important non-farm payroll data. Chevron was the best performing stock (+2.8% d/d), while United Health Group lagged at -1.5% d/d. The S&P 500, meanwhile, fell 1.0% to 3,744.52, while the Nasdaq Composite also dropped 0.7% to 11,073.31.
- Aside from this data, comments from Federal Reserve officials also contributed to the 2-day of losses. Specifically, Minneapolis Fed President Neel Kashkari said that Fed is “quite a way away” from pausing its campaign of rate increases. Likewise, Chicago’s Charles Evan said that the benchmark rate will probably be at 4.50% to 4.75% by next spring. Cleveland Fed President Loretta Mester noted that the US is in an unacceptably high inflation environment. These are in line with our in-house view that the fed funds rate is expected to increase to 4.25-4.50% to end 2022 as inflation remained stubbornly high. The University of Michigan survey’s reading of one-year inflation expectations at 4.6% and five-year inflation outlook at 2.8% remains way above the Fed’s target of 2.0%.
- European stocks also fell for the day, while Asian stocks ended mixed. Specifically, hardware technology stocks in Japan and Korea advanced on views they may have bottomed as well as on the back of favourable monetary policies. Nikkei 250 jumped 0.7% to 27,311.30.
- The hawkish comments also lifted the Dollar and Treasury yields. The benchmark 10-year rate climbed 7 bps to 3.83% before pulling back to close at 3.82%. The 2-year yield, which is more sensitive to monetary policy changes, rose 11bps points to above 4.26%. The peak in yields was also partly driven by a large block of trades in futures, while global bond market sentiment also soured by another rise in UK gilt yields. The 30-year yield surged as much as 19 bps to 4.4% before closing at 4.29% amidst concerns over the government’s plan to loosen fiscal policy.
- The dollar trades broadly higher against G10, with the Dollar Spot Index rising 0.9% d/d to 112.26. The pound lags its peers amidst weaker gilt prices with Bank of England support set to expire on October 14 as well as Fitch Ratings cutting its outlook to negative amidst budget concerns. GBP/USD depreciated 1.5% d/d to 1.1162 and the EUR/USD fell 0.9% to 0.9791. Asian currencies settled mixed. CNH and SGD weakened by 0.2% each while the MYR weakened marginally by 0.1% to 4.6375.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	29,926.94	-1.15
S&P 500	3,744.52	-1.02
NASDAQ	11,073.31	-0.68
Stoxx Eur 600	396.35	-0.64
FTSE 100	6,997.27	-0.78
Nikkei 225	27,311.30	0.70
Hang Seng	18,012.15	-0.42
Straits Times	3,151.56	-0.05
KLCI 30	1,420.43	-0.01
FX		
Dollar Index	112.23	0.92
EUR/USD	0.9791	-0.94
GBP/USD	1.1162	-1.45
USD/JPY	145.14	0.35
AUD/USD	0.6406	-1.26
USD/CNH	7.0837	0.22
USD/MYR	4.6375	0.14
USD/SGD	1.4293	0.22
Commodities		
WTI (\$/bbl)	88.96	1.06
Brent (\$/bbl)	94.92	1.20
Gold (\$/oz)	1,720.90	-0.24
Copper (\$\$/MT)	7,559.00	-1.86
Aluminum(\$/MT)	2,328.00	-1.23
CPO (RM/tonne)	3,596.50	4.04

Source: Bloomberg, HLBB Global Markets Research

- Gold prices slipped 0.2% to US\$1,720.90/oz as fresh data continued to cloud Fed outlook. The WTI rose 1.0% to US\$88.96/barrel after 4-day run up on OPEC+ cut and supply fears, while the Brent also rose 1.2% d/d to US\$94.92/barrel.

US Initial jobless claims rose more than forecast to 219,000:

- Initial jobless claims rose unexpectedly by 29,000 to 219,00 in the week ended October 1st, more than consensus estimate of 204,000 but still at historically low. Continuing claims for state benefits also edged up to 1.36m for the week ended Sept 24 and if sustained, could suggest lacklustre spending. This number precedes the highly watched non-farm payroll numbers. As it is, layoffs remained limited but has been growing from Robinhood Markets Inc, Microsoft Corp, Tesla Inc, Netflix Inc to Ford Motor.

Australia trade surplus narrowed as imports outpace exports:

- Australia's trade surplus on goods and services surplus narrowed to \$643m in August as exports growth were outpaced by imports at +2.6% m/m and +4.5% m/m respectively. Both came in above expectation of +2.0% mom and -1.0% m/m and July's -10.4% and 4.8% m/m. Exports were driven by coal, coke and briquettes, while imports were driven by fuels and lubricants.

Europe retail sales fell 0.3% m/m:

- Retail sales in the euro area fell 0.3% m/m and 2.0% y/y in August, pointing to a weakness in consumer demand. The sales decline in August came despite a sharp rise in the volume of sales of car fuels during the holiday season, which rose 3.2% m/m and 5.1% y/y, but failed to offset falling sales of food and drinks and internet or mail order shopping.

Hong Kong headline PMI broke below 50:

- The headline S&P Global Hong Kong PMI dropped below the 50-mark threshold to 48.0 in September from 51.2 in August as firms that limitations on meeting up and a general hesitancy among some customers impacted demand and activity amidst COVID-19. Dragging the index were contractions in order book volumes, output as well as rate of job shedding due to voluntary resignations

House View and Forecasts

FX	This Week	3Q-22	4Q-22	1Q-23	2Q-23
DXY	110-115	106.00	105.00	103.00	102.00
EUR/USD	0.95-1.00	1.02	1.03	1.05	1.04
GBP/USD	1.00-1.03	1.21	1.22	1.24	1.23
USD/JPY	143-148	138.00	135.00	133.00	132.00
AUD/USD	0.63-0.67	0.67	0.69	0.70	0.70
USD/MYR	4.62-4.68	4.42	4.40	4.38	4.35
USD/SGD	1.42-1.45	1.40	1.38	1.37	1.36

Rates, %	Current	3Q-22	4Q-22	1Q-23	2Q-23
Fed	3.00-3.25	3.00-3.25	4.25-4.50	4.25-4.50	4.25-4.50
ECB	1.25	1.25	2.75	2.75	2.75
BOE	2.25	2.25	3.25	3.25	3.25
BOJ	-0.10	-0.10	-0.10	-0.10	-0.10
RBA	2.35	2.35	3.10	3.10	3.10
BNM	2.50	2.50	2.50	2.75	2.75

Source: HLBB Global Markets Research

Up Next

Date	Events	Prior
07/10	JN Household Spending YoY (Aug)	3.40%
	JN Leading Index CI (Aug P)	98.9
	JN Coincident Index (Aug P)	100.1
	MA Foreign Reserves (11202)	\$106.3b
	US Change in Nonfarm Payrolls (Sep)	315k
	US Unemployment Rate (Sep)	3.70%
08/10	US Average Hourly Earnings MoM (Sep)	0.30%
	US Consumer Credit (Aug)	\$23.811b
	CH Caixin China PMI Services (Sep)	55
10/10	EC Sentix Investor Confidence (Oct)	-31.8
10-14/10	NZ REINZ House Sales YoY (Sep)	-18.30%
	SI GDP YoY (3Q A)	4.40%
	Singapore MAS October 2022 Monetary Policy Statement	

Source: Bloomberg

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