HongLeong Bank

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Global Markets Research

Daily Market Highlights

7 Nov: Equities snapped a two-day sell-offs

US non-farm payroll eased less than expected

UST yields continued edging higher

DXY pulled back sharply to the 110 levels

- Stocks rallied on Friday, although finished the week lower, as investors drew conflicting conclusions about what the latest payroll numbers mean for future Federal Reserve rate hikes. Dow Jones and NASDAQ gained 1.3% while the broader S&P 500 advanced 1.4% d/d. Corporate earnings season also continued, with mobile payment company Block surging 11% after beating expectations. Carvana shares dropped 39% as it posted a wider-than-expected loss. European stocks also climbed on Friday as markets rounded out a big week for central bank policy decisions and corporate earnings. The pan-European Stoxx 600 index closed up 1.8% d/d, while FTSE gained 2.0% d/d. Corporate earnings season is winding down, but reports before the bell on Friday came from SocGen, Telefonica, Aker and Intesa Sanpaolo, among others. Over in Asia, Hang Seng closed 5.4% d/d up amid China reopening rumours.

- The 2-year UST yield rose to a session high of 4.79% earlier, its highest level since July 2007, but pulled back to last trade roughly 6bps lower at 4.66%. The 10-year Treasuries last traded about 1bp higher, rising to 4.16%.

- The Dollar slumped after the nonfarm payrolls report for October showed the world's largest economy created more new jobs than expected, but also flashed signs of slowdown with the rise in unemployment rate and lower wage inflation. The greenback initially rose immediately after the data, but fell as market participants digested the jobs report. The Dollar Index fell 1.8% d/d to 110.88. The dollar depreciated 1.1% against the yen, while the euro and sterling strengthened 2.1% d/d and 2.0% d/d respectively against the greenback. Ringgit, meanwhile, continued to be weak, depreciating 0.1% d/d against the Dollar to 4.7480 while SGD strengthened 1.1% to 1.4069.

- Oil prices rose amid uncertainty around future interest rate hikes by the U.S. Federal Reserve, while a looming EU ban on Russian oil and the possibility of China easing some Covid restrictions supported markets. Brent jumped 4.1% d/d, while the West Texas Intermediate (WTI) crude spiked 5.0% d/d. Gold price, meanwhile, surged 2.8% d/d as the dollar weakened.

US non-farm payroll gains slowed less than expected to 261k, unemployment edged up to 3.7%

- Non-farm payroll increased by 261k in October. Although a shade lower than September's 351k, it came above street estimate's 193k. Monthly job

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	32,403.22	1.26
S&P 500	3,770.55	1.36
NASDAQ	10,475.25	1.28
Stoxx Eur 600	416.98	1.81
FTSE 100	7,334.84	2.03
Nikkei 225	27,199.74	-1.68
Hang Seng	16,161.14	5.36
Straits Times	3,130.11	0.89
KLCI 30	1,438.28	1.26
FX		
Dollar Index	110.88	-1.82
EUR/USD	0.9957	2.13
GBP/USD	1.1379	1.96
USD/JPY	146.62	-1.11
AUD/USD	0.6470	2.88
USD/CNH	7.1865	-1.98
USD/MYR	4.7480	0.09
USD/SGD	1.4069	-1.05
Commodities		
WTI ($/bbl)	92.61	5.04
Brent ($/bbl)	98.57	4.12
Gold ($/oz)	1,676.60	2.80
Copper ($$/MT)	8,099.00	7.12
Aluminum($/MT)	2,355.50	4.04
CPO (RM/tonne)	4,190.50	-0.39

Source: Bloomberg, HLBB Global Markets Research growth has averaged 407k thus far in 2022, compared with 562k per month in 2021. In October, notable job gains occurred in health care, professional and technical services, and manufacturing. The unemployment rate, meanwhile, increased more than expected by 0.2ppts to 3.7% as compared to August and was slightly worse than consensus at 3.6%. The labor force participation rate, at 62.2% were about unchanged in October and have shown little net change since early this year. In October, average hourly earnings for all employees on private nonfarm payrolls rose by 12 cents or a slightly quicker pace of 0.4% m/m to $32.58. Compared to last October, average hourly earnings have increased by 4.7% y/y, moderating from the 5.0% y/y increase a month earlier. The average workweek for all employees on private nonfarm payrolls was 34.5 hours for the fifth month in a row.

Euro Services PMI slipped to 48.6, increase in PPI slowed to 1.6% m/m

- The S&P Global Eurozone Services PMI Business Activity Index slipped to 48.6 in October. This was down from 48.8 in September but was better than flash and consensus estimate's 48.2, signalling a third successive decrease in service sector activity and the quickest rate of decline since February 2021, albeit modest overall. This suggests that eurozone economy is now headed for a winter recession. High inflation is dampening demand and hurting business confidence. Fears that the energy crisis could intensify over the winter period are also feeding uncertainty and weighing on decision-making.
- In September, industrial producer prices rose by 1.6% m/m in the EU. While matching consensus estimate, this was a significant slowdown from +5.0% m/m in August. Onn a y/y basis, prices jumped 41.9% as expected (August: +43.4%). On a m/m basis, the increase in PPI was driven by energy (+3.3%), non-durable consumer goods (+0.9%), capital goods (+0.4%) and intermediate goods (+0.1%).

UK Construction PMI edged up to highest since May but optimism fell sharply

- The S&P Global / CIPS UK Construction PMI edged up slightly to 53.2 in October, up from 52.3 in September and the highest reading since May. Higher levels of business activity were attributed to a combination of new project starts and strong pipelines of unfinished work. Nevertheless, construction companies indicated that growth expectations for the year ahead remained very subdued and the degree of optimism fell sharply to the lowest for almost 2.5 years, reflecting falling volumes of new work and worries about the longer-term UK economic outlook.

Japan Services PMIs rose for second month to 53.2

- The Jibun Bank Japan Services Business Activity Index rose to 53.2 in October, up from 52.2 in September to signal a second consecutive monthly expansion in Japan's service sector output. The growth in activity levels was reflective of current demand conditions, said panel members though firms also mentioned that a sustained COVID-19 recovery also supported the stronger upturn. Firms too were optimistic for their future with the 12-month outlook for activity remaining strongly positive. The degree of business confidence was among the highest on record amid hopes that current demand trends would continue into the future.

China current account surplus widened to $144.0bn

- In US$ terms, China's current account surplus widened to $144.0bn in 3Q from $77.5bn in the previous quarter. A higher goods surplus of $200.8bn

(2Q: $175.8bn) as well as lower primary income deficit (-$33.1bn vs 2Q: -$84.4bn) more than offset the higher services deficit of $29.2bn (2Q: -$19.7bn). In the capital and financial accounts, foreign direct investments recorded a deficit of $27.1bn and reserve assets increased by $37.3bn.

Singapore retail sales rose 11.2% y/y in September, extending August's growth

- Singapore retail sales went up by 11.2% y/y in September, extending the revised 13.3% y/y rise in the previous month. On a m/m basis, retail sales were also up 3.3%, reversing from a 1.2% fall in August, led by department stores (+35.3% y/y), food and alcohol (+51.7% y/y), wearing apparel and footwear (+52.5% y/y), watches and jewellery (+37.1% y/y) as well as computer and telecommunications equipment (+24.3% y/y). The reading signalled some resiliency in Singapore consumption which shall continue to underpin growth ahead.

House View and Forecasts

FX	This Week	4Q-22	1Q-23	2Q-23	3Q-23
DXY	110-115	115.00	112.70	110.45	110.00
EUR/USD	0.96-1.00	0.95	0.97	0.98	0.98
GBP/USD	1.10-1.14	1.10	1.10	1.11	1.12
USD/JPY	146-149	147.00	146.00	145.00	144.00
AUD/USD	0.60-0.64	0.62	0.63	0.64	0.64
USD/MYR	4.72-4.78	4.68	4.64	4.62	4.60
USD/SGD	1.40-1.43	1.45	1.44	1.42	1.40

Rates, %	Current	4Q-22	1Q-23	2Q-23	3Q-23
Fed	3.75-4.00	4.25-4.50	4.25-4.50	4.25-4.50	4.25-4.50
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
7-Nov	MA Foreign Reserves	$104.5b
	EC Sentix Investor Confidence (Nov)	-38.3
	CH Exports YoY (Oct)	5.70%
7-14 Nov	EC EU Commission Economic Forecasts	
8 Nov	US Consumer Credit (Sep)	$32.241b
	AU CBA Household Spending MoM (Oct)	-0.50%
	AU Westpac Consumer Conf Index (Nov)	83.7
	JN Household Spending YoY (Sep)	5.10%
	JN Labor Cash Earnings YoY (Sep)	1.70%
	JN Real Cash Earnings YoY (Sep)	-1.70%
	AU NAB Business Conditions (Oct)	25
	AU NAB Business Confidence (Oct)	5
	NZ 2Yr Inflation Expectation (4Q)	3.07%
	MA Industrial Production YoY (Sep)	13.60%
	MA Manufacturing Sales Value YoY (Sep)	24.40%
	JN Leading Index CI (Sep P)	101.3
	JN Coincident Index (Sep P)	101.8
	EC Retail Sales MoM (Sep)	-0.30%
	US NFIB Small Business Optimism (Oct)	92.1

Source: Bloomberg

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