Global Markets Research

Daily Market Highlights

7 Dec: Wall Street extend losses amid recession concerns

Warnings from bank CEOs on odds of recession drove investors to safe haven bids

Equites were sold off; UST and DXY advanced

RBA raised cash rates to 3.10%; guided for further hikes ahead

- Stocks tumbled Tuesday, building on the previous session's losses, as fears of a recession gripped Wall Street. The S&P 500 shed 1.4% d/d, while the Nasdaq Composite sank 2.0% d/d. The Dow Jones Industrial Average dropped 1.0% d/d. Specifically, JPMorgan Chase CEO Jamie Dimon reiterated that he saw the chance for a mild to hard recession next year. This comes after Bank of America's CEO Brian Moynihan who has said earlier that he expects the US economy to contract by "just 1%" for the first three quarters of 2023 before returning to positive growth. Morgan Stanley's stock, meanwhile, slumped amid news it is planning to cut 2% of its workforce. Stoxx 600 and FTSE100 meanwhile, closed down 0.6% d/d. The muted trade in Europe comes after markets in the Asia-Pacific region traded mixed. Hang Seng index was 0.4% lower, CSI300 slid 0.5% d/d while Nikkei 225 gained 0.2% d/d.

- U.S. Treasury yields fell on Tuesday, giving back some of the gains seen in the previous session. The yield on the benchmark 10-year Treasury fell 4bps to 3.53%. The 2-year Treasury yield was last down by around 2bps to 4.37%.

- US Dollar gained vs G10 peers as warnings from bank CEOs drove investors to safe haven. Even AUD retreated to close the day 0.2% lower after strengthening earlier to 0.6720 after the RBA raised its cash rates. Dollar Index was last up 0.3% d/d., gaining against euro and sterling at 0.2% and 0.5% d/d respectively. In Asia, the dollar strengthened against regional currencies, gaining 0.2% d/d against the yen and 0.6% d/d against MYR.

- The Western price cap on Russian seaborne crude, which came into force on Monday, may have started to show its impact on the energy market. Both Brent and WTI were both down more than 3.0% d/d as investors risk remain low digesting economic data that points to slower US growth. Gold firmed slightly, with prices up 0.1% d/d.

RBA raised rates to 3.1%; expects rates to rise further albeit not on pre-set course

- As expected, the Reserve Bank of Australia (RBA) raised its key interest rates for the 8th straight month by 25bps to 3.10%, the sharpest annual tightening since 1989. Moving forward, RBA gave itself flexibility for future decisions but reiterated that more tightening is expected as inflation remained above the government's target of 2%-3%. In its post meeting statement, RBA Governor Philip Lowe said that "The Board expects to increase interest rates further over the period ahead, but it is not on a pre-set course. It is closely monitoring

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	33,596.34	-1.03
S&P 500	3,941.26	-1.44
NASDAQ	11,014.89	-2.00
Stoxx Eur 600	438.92	-0.58
FTSE 100	7,521.39	-0.61
Nikkei 225	27,885.87	0.24
Hang Seng	19,441.18	-0.40
Straits Times	3,252.37	-0.46
KLCI 30	1,471.55	0.00
FX		
Dollar Index	105.57	0.27
EUR/USD	1.0467	-0.23
GBP/USD	1.2133	-0.47
USD/JPY	137.00	0.18
AUD/USD	0.6688	-0.15
USD/CNH	6.9807	0.08
USD/MYR	4.3950	0.61
USD/SGD	1.3590	0.10
Commodities		
WTI ($/bbl)	74.45	-3.77
Brent ($/bbl)	79.72	-3.95
Gold ($/oz)	1,783.30	0.10
Copper ($$/MT)	8,405.00	0.54
Aluminum($/MT)	2,500.00	-0.28
CPO (RM/tonne)	4,004.00	0.31

Source: Bloomberg, HLBB Global Markets Research the global economy, household spending and wage and price-setting behaviour." As it is, consensus expectation is that RBA will hike further to 3.50% by 2023.

US trade deficit widened as goods exports hit seven-month low

- Trade deficit widened sharply but less than expected by 5.4% m/m to $78.2bn in October (Sept: -$74.1bn) as slowing global demand and a strong dollar pushed goods exports to a seven-month low and suggesting that trade could be a drag on economic growth this quarter if the trend persists. The second straight monthly widening in the trade gap was partly driven by a shift in pharmaceutical products trade. Consequently, exports fell 0.7% m/m led by goods shipments which fell to the lowest level since March. Imports increased 0.6% m/m, driven by industrial supplies and materials as well as other goods. It should be noted that imports of consumer goods imports dropped, reflecting impact from higher interest rates.

UK Construction growth slips to a three-month low.

- The S&P Global / CIPS Construction PMI registered the 3rd consecutive month of expansion, at 50.4 in November (Oct: 53.2). However, at this level, it is the weakest since August. This gloomier view was fuelled in part by continuing shortages of key materials such as steel and timber along with skilled labour, affecting job hires which rose at the slowest pace since February 2021. As new order growth remained below the 2022 average to date, builders were becoming hesitant about hiring too many labourers and there was some mention of shedding jobs over fears of the strength of the economy in 2023.

House View and Forecasts

FX	This Week	4Q-22	1Q-23	2Q-23	3Q-23
DXY	102-105	100.00	98.00	96.04	96.04
EUR/USD	1.04-1.07	1.08	1.10	1.11	1.11
GBP/USD	1.21-1.25	1.25	1.26	1.27	1.27
USD/JPY	133-138	133	130	128	128
AUD/USD	0.67-0.69	0.69	0.70	0.72	0.72
USD/MYR	4.35-4.45	4.36	4.31	4.28	4.28
USD/SGD	1.34-1.36	1.33	1.32	1.30	1.30

Rates, %	Current	4Q-22	1Q-23	2Q-23	3Q-23
Fed	3.75-4.00	4.25-4.50	5.25-5.50	5.25-5.50	5.25-5.50
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-Dec	AU GDP SA QoQ (3Q)	0.90%
	JN Leading Index CI (Oct P)	97.5
	EC GDP SA QoQ (3Q F)	0.20%
	US MBA Mortgage Applications	-0.80%
	US Unit Labor Costs (3Q F)	3.50%
	CH Foreign Reserves (Nov)	$3052.43b
	CH Exports YoY (Nov)	-0.30%
	CH Imports YoY (Nov)	-0.70%
8-Dec	US Consumer Credit (Oct)	$24.976b

Hong Leong Bank Berhad
Fixed Income & Economic Research, Global Markets
Level 8, Hong Leong Tower
6, Jalan Damanlela
Bukit Damansara
50490 Kuala Lumpur
Tel: 603-2081 1221
Fax: 603-2081 8936
HLMarkets@hlbb.hongleong.com.my

JN GDP Annualized SA QoQ (3Q F)	-1.20%
UK RICS House Price Balance (Nov)	-2%
AU Exports MoM (Oct)	7%
AU Imports MoM (Oct)	0%
JN Eco Watchers Survey Outlook SA (Nov)	46.4
US Initial Jobless Claims	225k
US Continuing Claims	1608k

Source: Bloomberg