8 March 2022

Global Markets Research

Daily Market Highlights

08-Mar: Global equity rout intensified

Dow slumped into correction; NASDAQ in bear market

USD reigned supreme in FX market; treasury yields rose

Oil prices soared as supply concern intensified

- Global equities plunged further on Monday as the Russia-Ukraine crisis deepened with the third round of cease-fire talks ending without much progress. In the US, the Dow Jones fell 797pts or 2.4% to a correction territory, defined as a drop of at least 10% from its record high. Tech-focus NASDAQ index lost 3.6% and slumped into a bear market, being 20% below its record level. The broader S&P 500 dropped nearly 3.0%.

- In other parts of the world, stock benchmarks all ended in the reds. The Pan-European STOXX Europe 600 fell for the third session by 1.6% whereas the Nikkei 225 and Hang Seng dropped 2.9% and 3.9% respectively.

- US treasury yields rose on Monday amid growing inflation fear as the US government and its allies contemplate a Russian oil embargo. Yields rose 3.0 to 7.4bps; the yield curves flattened as the front-end yields rose the most. 10Y UST yield picked up by 4.3bps to 1.77%.

- In the FX market, the dollar reigned supreme as the USD strengthened against all major and nearly all emerging market currencies. The dollar index rose 0.7%, marking its third gain in a row. USD/MYR closed little changed (+0.02%) at 4.1790 on Monday, in line with our view that the MYR may remain relatively resilient against the surging greenback. We are neutral to slightly bullish on the pair today, taking into account the broad-based USD strength overnight that may shift the pair slightly higher.

- Gold prices extended gain on Monday, adding 1.5% to $1995.9/oz thanks to higher demand for safe assets. Crude oil prices jumped amid volatile trading; Brent crude briefly hit above $130/barrel before retreating to close at $123.21/barrel (+4.3%); the last time Brent traded at $120/barrel was back in 2Q-2012. The US benchmark WTI also went as high as $130/barrel before pulling back to settle at $119.4/barrel (+3.2%).

Eurozone Sentix Confidence plunged as Russia-Ukraine broke out:

- The Sentix Investor Confidence Index plummeted by nearly 24pts to -7.0 in March, from 16.6 in February, reflecting the loss in confidence following the Russian invasion of Ukraine that may have serious economic impact on the Eurozone. The current situation index fell 11.5pts to 7.8 whereas the expectations index dropped dramatically by nearly 35pts to -20.8 negative territory.

Japan's wage growth accelerated in January:

- Japan's labour cash earnings rose 0.9% y/y in January, following the 0.4% decline in December. The steeper wage growth reflects the sharper increase in regular or base pay (+0.4% y/y vs +0.1% prior) and bonus (+7.6% vs -1.1% prior).

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	32,817.38	-2.37
S&P 500	4,201.09	-2.95
NASDAQ	12,830.96	-3.62
Stoxx 600	417.13	-1.10
FTSE 100	6,959.48	-0.40
Nikkei 225	25,221.41	-2.94
Hang Seng	21,057.63	-3.87
Straits Times	3,187.82	-1.21
KLCI 30	1,572.56	-1.96
FX		
Dollar Index	99.29	0.65
EUR/USD	1.0854	-0.68
GBP/USD	1.3104	-0.95
USD/JPY	115.32	0.44
AUD/USD	0.7317	-0.72
USD/CNH	6.3270	0.03
USD/MYR	4.1790	0.02
USD/SGD	1.3619	0.11
Commodities		
WTI ($/bbl)	119.40	3.22
Brent ($/bbl)	123.21	4.32
Gold ($/oz)	1,995.90	1.49

Source: Bloomberg, HLBB Global Markets Research

Meanwhile, overtime pays picked up at a more moderate pace of 4.4% y/y (vs. +5.2% previously). The continuous increase in regular pay is a welcoming sign for the BOJ and the Japanese government, as higher wages could help the economy weather higher inflation.

China's exports rose 16.3% for the first two months of 2022:

- China's export growth softened in the first two months of 2022 at 16.3% y/y, compared to the 20.9% y/y growth in December. China's Statistics Bureau normally did not release separate data for January and February as the numbers were usually disrupted by Lunar New Year related factors. Compared to the same period of Jan-Feb last year, exports were up by 60.4% y/y, driven by low base effect.
- Imports rose 15.5% y/y in the Jan-Feb 2022 period, slowing from the 19.5% y/y growth in December. In comparison, imports had risen by 22.2% y/y in the first two months of 2021.

Malaysia's foreign reserves unchanged at $115.8b:

- Malaysia's international reserves remained unchanged at $115.8b as at 28 February 2022 according to Bank Negara Malaysia. The reserves were sufficient to finance 6.1 months' worth of retained imports and was 1.2 times short-term external debt.

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
08/03	AU NAB Business Confidence (Feb)	3.0
	EZ Employment QoQ (4Q F)	0.5%
	EZ GDP SA QoQ (4Q F)	0.3%
	US NFIB Small Business Optimism (Feb)	97.1
	US Trade Balance (Jan)	-$80.7b
09/03	AU Westpac Consumer Conf SA MoM (Mar)	-1.3%
	JP GDP SA QoQ (4Q F)	1.3%
	CN PPI YoY (Feb)	9.1%
	CN CPI YoY (Feb)	0.9%
	US MBA Mortgage Applications (04 Mar)	-0.7%
	US JOLTS Job Openings (Jan)	10925k

Source: Bloomberg

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