

8 June 2022

Global Markets Research

Daily Market Highlights

08-June: Extended gains in US equities

US stocks advanced a second straight session; 10Y UST yields dipped below 3.00% again
RBA hiked more than expected by 50bps

World Bank downgraded 2022 global growth forecast to 2.9%

- US stocks opened lower but edged steadily higher to close out Tuesday's session in the green, between 0.8-1.0%, led by energy and IT. Swing in market sentiments continued to be the key driver as investors weighed concerns between growth and inflation, in the absence of any major economic releases. Earlier, key equity indices ended mixed to lower in Europe and Asia. Futures point to mixed opening in Asian markets this morning.
- Global bond yields took a turn and fell. Benchmark UST yields generally fell between 2-8bps, led by the long tenures again, bull flattening the curve. The benchmark 10Y UST yields pulled back by 7bps to 2.97% while the 2s notched ended little changed at 2.73%. Auction of the US\$44bn 3Y notes attracted lukewarm demand with a lower BTC of 2.45x (prior 2.59x) at a high yield of 2.927% (prior 2.809%).
- The Dollar Index snapped its two consecutive days of advance, falling 0.1% to 102.32. The greenback traded mixed against the G10s and weakened the most vs the AUD, which was boosted by a more hawkish than expected RBA. Meanwhile, weakness in the JPY stayed extended for a 3rd straight day, falling another 0.5% d/d to 132.59. Other Asian currencies also traded weaker against the greenback, save for the SGD. Gold prices increased 0.4% to \$1852.10/oz as the USD fell.
- USD/ MYR traded on a bullish tone on Tuesday but was seen narrowing gains in the afternoon session to settle only 0.1% higher at 4.3945, tracking earlier extended gains in the USD. USD/MYR outlook is slightly bullish in our view, testing the 4.40 key resistance but overnight USD weakness could limit its advance today. A break of 4.40 will pave the way towards 4.41 followed by the 4.43 levels next.
- Oil benchmarks rose ahead of a weekly inventory report by EIA which is expected to show a decline in crude inventory. The Brent crude edged 0.9% higher to \$120.57/ barrel while the WTI gained 0.8% to \$119.41/ barrel.
- World Bank downgraded world growth forecast to 2.9% for 2022, down 1.2ppt from January's forecast of 4.1%, and close to half from the 5.7% growth last year, dragged by the Russia-Ukraine related fallout. Growth among advanced economies are projected to decelerate sharply from 2021's 5.1% to 2.6% this year while growth in emerging economies are expected to slow to 3.4% in 2022 (2021: +6.6%). The World Bank also warned of risk of a stagflation, saying the world could be entering a period of feeble growth and elevated inflation.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	33,180.14	0.80
S&P 500	4,160.68	0.95
NASDAQ	12,175.23	0.94
Stoxx 600	442.88	-0.28
FTSE 100	7,598.93	-0.12
Nikkei 225	27,943.95	0.10
Hang Seng	21,531.67	-0.56
Straits Times	3,231.54	0.15
KLCI 30	1,525.93	-0.77
FX		
Dollar Index	102.32	-0.12
EUR/USD	1.0703	0.07
GBP/USD	1.2592	0.48
USD/JPY	132.59	0.54
AUD/USD	0.7232	0.54
USD/CNH	6.6717	0.22
USD/MYR	4.3947	0.10
USD/SGD	1.3736	-0.22
Commodities		
WTI (\$/bbl)	119.41	0.77
Brent (\$/bbl)	120.57	0.89
Gold (\$/oz)	1,852.10	0.46

Source: Bloomberg, HLBB Global Markets Research

RBA hiked more than expected by 50bps to 0.85% to battle inflation:

- The RBA hiked its cash target rate more than expected by 50bps to 0.85% at its latest monetary policy yesterday, exceeding expectations for a 25bps hike aimed at combating inflation, which the RBA said has increased significantly and that it would do what's necessary to return CPI to target over time. This bigger than expected move sent the Australian bond yields higher while the rally in the Aussie to an intraday high of 0.7246 against the USD was just a knee-jerk move.
- We expect further hikes but probably in a less aggressive pace of 25bps in subsequent meetings amid a cloudy global outlook and uncertainty surrounding household spending. The RBA also said the Australian economy has remained resilient, and capacity constraints and a tight job market are pushing up prices.

US trade deficit narrowed as China lockdown affected imports:

- Trade deficit narrowed more than expected to \$87.1bn in April (Mar: \$107.7bn revised), marking its lowest deficit in four months. This came on the back of an expansion in exports (+3.5% m/m) and a contraction in imports (-3.4% m/m), as Covid lockdown in China affected US imports from the country. The deficit with China fell \$8.5bn in April, the most in seven years, while imports from China dropped \$10.1bn, and this accounted for close to 85% of total decline in imports in the US.

Eurozone investor confidence improved in June:

- Sentix investor confidence staged a sharp improvement to -15.8 in June, much better than consensus estimate of -21.2 and May's -22.6. This however remained in negative territory for a 3rd straight week signalling lingering pessimism in economic sentiments among investors as economic fallout triggered by the Russia-Ukraine conflicts continue to take a toll on the region's economy.

The Japanese economy contracted less than initially estimated at 0.1%:

- Final print of 1Q GDP contracted 0.1% q/q in 1Q, lesser than the initial estimate of -0.2% and below the consensus estimate of -0.3%. Still, this marked a sharp deterioration from 4Q21's 1.0% growth as the decline in net exports offset gains in domestic demand. Private consumption managed to eke out a 0.1% q/q increase (initial estimate 0.0%) but business spending unexpectedly fell 0.7% q/q (initial estimate 0.5%), compounding the drag from net exports. Relaxation of containment measures shall pave the way for some recovery in 2Q, hence easing the pressure on BOJ.

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	0.85	1.60	1.85	1.85
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

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Date	Events	Prior
08/06	EZ GDP SA QoQ (1Q F)	0.3%
	US MBA Mortgage Applications (03 Jun)	-2.3%
09/06	UK RICS House Price Balance (May)	80%
	JP Machine Tool Orders YoY (May P)	25.0%
	EZ ECB Deposit Facility Rate (09 Jun)	-0.5%
	US Initial Jobless Claims (04 Jun)	200k
	CN Exports YoY (May)	3.9%
	CN Imports YoY (May)	0.0%

Source: Bloomberg

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