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Global Markets Research

Daily Market Highlights

08-July: Global stocks and yields climbed

Wall Street stocks rose for the fourth consecutive session

Dollar strength receded; commodity currencies lifted by oil rebound

GBP posted gains after Boris Johnson announced resignation as PM

- US stocks rose for the fourth consecutive session on Thursday despite the mixed economic data as Fed Governor Christopher Waller called for a 75bp rate hike and played down recession fears. The Dow Jones advanced 1.1%; the S&P 500 and NASDAQ climbed 1.5% and 2.3% respectively, marking their longest gaining streak since March.
- European share markets rallied earlier, extending from the gains in the previous session. The STOXX Europe 600 rallied 1.9%. The FTSE 100 rose 1.1% after PM Boris Johnson announced his resignation following a deluge of cabinet resignations that challenged his leadership. In Asia, the Nikkei 225 surged 1.5% while Hang Seng picked up modestly by 0.3%.
- US treasury yields picked up another 1-7bps and the curve bear steepened on Thursday. The yield on the benchmark 10Y UST advanced 7bps to near 3.00%. European yields surged as the latest ECB minutes points to a 25bp rate hike in July, followed by a steeper 50bp increase in September. The German 10Y bund yield jumped 11bps to 1.31%.
- The ECB minutes for 08-09 June Governing Council meeting revealed that officials intend to be more cautious when it comes to its first rate hike in eleven years (scheduled on 21 July), thus the 25bp rate hike forward guidance offered last month. There were a handful of officials expressing initial preference for keeping the door open for a larger rate hike in July. The discussion focused on high inflation and the possibility of it becoming entrenched.
- The dollar traded mixed against the G10 currencies. The dollar index was little changed at 107.13 (+0.03%) after a two-day rally. Commodity currencies got a boost from the sharp rebound in oil prices with AUD being the best performing currencies (+0.9%). GBP (+0.8%) was lifted by Johnson's resignation. In the loser group, CHF fell 0.3% and the EUR shed another 0.2% to a fresh 20Y low.
- The Asian units also recorded mixed performances against the USD. South Korean won (+0.5%) emerged as the top performer followed by the SGD. The Philippine peso remained battered (+0.7%) alongside the THB (+0.2%). MYR (-0.07%) continued to weaken against the dollar at 4.4275 on Thursday.
- Oil rose after the two-day heavy losses as traders mulled tighter supply and China's consideration for a \$224b stimulus package that may boost demand. Brent crude surged 3.9% to \$104.65/barrel and WTI rallied 4.3% to \$102.73/barrel.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	31,384.55	1.12
S&P 500	3,902.62	1.50
NASDAQ	11,621.35	2.28
Stoxx Eur 600	415.01	1.88
FTSE 100	7,189.08	1.14
Nikkei 225	26,490.53	1.47
Hang Seng	21,643.58	0.26
Straits Times	3,129.40	0.83
KLCI 30	1,418.69	-0.15
FX		
Dollar Index	107.13	0.03
EUR/USD	1.0160	-0.22
GBP/USD	1.2023	0.81
USD/JPY	136.01	0.04
AUD/USD	0.6838	0.87
USD/CNH	6.6931	-0.33
USD/MYR	4.4275	0.07
USD/SGD	1.4005	-0.38
Commodities		
WTI (\$/bbl)	102.73	4.26
Brent (\$/bbl)	104.65	3.93
Gold (\$/oz)	1,739.70	0.18
Copper (\$\$/MT)	7,822.50	4.02
Aluminum (\$/MT)	2,442.50	1.37
CPO (RM/tonne)	3,933.50	-9.57

Source: Bloomberg, HLBB Global Markets Research

US trade deficit narrowed for the second month; initial jobless claims at 235k:

- The US trade deficit narrowed to \$85.5b in May (Apr: \$86.7b) as exports of goods and services jumped 1.2% m/m to a record high of \$255.9b that month. Imports rose 0.6% m/m to \$341.4b. Trade deficit has now fallen for the second month in a row, indicating some support to the 2Q GDP growth.
- Initial jobless claims rose by 4k to 235k for the week ended 02 July (prior: 231k) and marked its fifth consecutive week above 230k. The upward shift signals weaker hiring demand, compared to five weeks ago and points to a softer NFP job report for June.

Australia's trade surplus at record high:

- Australia's trade surplus widened to a record high of A\$15.97b in May (Apr: A\$13.25b) as exports surged 9% m/m, following the upwardly revised 5% increase in April. This reflects strong sales of natural gas (+6.1% m/m) and iron ores (+2.7% m/m). Shipment to most trading partners were higher with China increasing by 4.7% m/m.
- Imports also rose by 6% in the same month, more than recovering the 1% decline prior and implying solid demand.

Japan household spending unexpectedly fell in May:

- Household spending saw a surprised decline of 0.5% y/y in May (Apr: -1.7%), marking its third straight month of contraction, and was down for the first time in three months on a month-on-month basis (-1.9% vs +. Both real and nominal worker's spending recorded declines, a sign of weakness even before taking into account the inflationary impact. Slower wage gains, higher food and energy bills, exacerbated by the weaker JPY, are pushing up cost of living and hurting consumers.

Malaysia's foreign reserves at \$109b:

- Malaysia's international reserves fell slightly to \$109.0b as at 30 Jun, down from \$109.2b prior. The reserves position is sufficient to finance 5.8 months of retained imports and is 1.1 times short-term external debt.

House View and Forecasts

FX	This Week	3Q-22	4Q-22	1Q-23	2Q-23
DXY	104-108	106.00	105.00	103.00	102.00
EUR/USD	1.00-1.05	1.02	1.03	1.05	1.04
GBP/USD	1.18-1.22	1.21	1.22	1.24	1.23
AUD/USD	0.67-0.69	0.67	0.69	0.70	0.70
USD/JPY	135-137	138.00	135.00	133.00	132.00
USD/MYR	4.40-4.43	4.42	4.40	4.38	4.35
USD/SGD	1.39-1.41	1.40	1.38	1.37	1.36

Rates, %	Current	3Q-22	4Q-22	1Q-23	2Q-23
Fed	1.50-1.75	2.50-2.75	3.00-3.25	3.00-3.25	3.00-3.25
ECB	-0.50	0.25	0.50	0.50	0.50
BOE	1.25	1.75	2.00	2.00	2.00
RBA	1.35	1.60	1.85	1.85	1.85
BOJ	-0.10	-0.10	-0.10	-0.10	-0.10
BNM	2.25	2.50	2.75	2.75	2.75

Source: HLBB Global Markets Research

Up Next

Date	Events	Prior
08/07	MA Industrial Production YoY (May)	4.60%
	US Change in Nonfarm Payrolls (Jun)	390k
	US Unemployment Rate (Jun)	3.60%
	US Average Hourly Earnings YoY (Jun)	5.20%

Hong Leong Bank Berhad

Fixed Income & Economic Research, Global Markets
 Level 8, Hong Leong Tower
 6, Jalan Damansara
 Bukit Damansara
 50490 Kuala Lumpur
 Tel: 603-2081 1221
 Fax: 603-2081 8936

HLMarkets@hlbb.hongleong.com.my

11/07	NZ Card Spending Retail MoM (Jun)	1.9%
	SG Core Machine Orders MoM (May)	10.8%
	JP Machine Tool Orders YoY (Jun P)	23.7%

Source: Bloomberg

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