8 November 2022

## Global Markets Research

## Daily Market Highlights

# 8 Nov: US stocks advanced led by technology shares

### Markets were bidded up ahead of US mid-term elections and CPI data

### DXY weakened back to the 110 handle; GBP jumped over 1.0%

### Eurozone Sentix investor sentiment improved; China exports shrank

- Stocks rallied as investors looked ahead to a packed week with congressional midterm elections and key inflation data on deck over the next few days, and shrugged off a supply warning from Apple. The Dow Jones Industrial Average traded higher by 1.3%, while the S&P 500 gained 0.9% d/d. The Nasdaq Composite rose 0.8% d/d, after trading between gains and losses earlier in the session. Shares of Apple fell 0.4% after the tech company said iPhone production has been temporarily reduced because of Covid-19 restrictions in China. Facebook parent Meta gained about 6.5% following a Wall Street Journal report that said the company could start layoffs as soon as Wednesday. Tuesday's midterm election will also determine which party will control Congress, and affect the direction of future spending.

- European markets closed mixed, with the Stoxx 600 index ending up 0.3% d/d but UK FTSE fell 0.5%. Hong Kong stocks led gains in Asia at +2.7% d/d despite China's trade data falling far short of expectations, marking the first annual decline in exports since May 2020.

- Treasury yields rose as investors looked ahead to a week filled with Federal Reserve speaker remarks and key economic data releases, including October's consumer inflation report. The policy-sensitive 2-year Treasury last traded at around 4.72%, having risen by more than 7bps earlier. The yield on the benchmark 10-year Treasury note last advanced nearly 6bps to 4.21%.

- EUR and sterling rose against the safe-haven greenback, supported by a risk-on sentiment across markets with European stocks rising on persistent hopes China will ease Covid restrictions as well as improved Sentix investor sentiment and German industrial production data. The EUR appreciated 0.7% d/d, while sterling last traded stronger 1.2% d/d. Against a basket of currencies, the Dollar Index fell 0.6% d/d to 110.15. Ringgit strengthened 0.2% d/d to 4.7400 against the greenback in line with most Asian currencies save for the CNY. The CNY weakened 0.7% d/d vs the USD to 7.2335.

- Oil prices erased all gains to end the day lower as China reaffirmed commitment to zero-zero policy. Brent crude was down 0.5% d/d, while the West Texas Intermediate dropped 0.7% d/d. Nevertheless, expectations of tighter supplies when the European Union's embargo on Russia's seaborne crude exports starts on Dec. 5, even though refineries worldwide are ramping up output should provide some support to oil prices going forward.

**Key Market Metrics**

| | Level | d/d (%) |
|---|---|---|
| **Equities** | | |
| Dow Jones | 32,827.00 | 1.31 |
| S&P 500 | 3,806.80 | 0.96 |
| NASDAQ | 10,564.52 | 0.85 |
| Stoxx Eur 600 | 418.34 | 0.33 |
| FTSE 100 | 7,299.99 | -0.48 |
| Nikkei 225 | 27,527.64 | 1.21 |
| Hang Seng | 16,595.91 | 2.69 |
| Straits Times | 3,141.31 | 0.36 |
| KLCI 30 | 1,442.12 | 0.27 |
| **FX** | | |
| Dollar Index | 110.21 | -0.52 |
| EUR/USD | 1.0020 | 0.63 |
| GBP/USD | 1.1514 | 1.19 |
| USD/JPY | 146.63 | 0.01 |
| AUD/USD | 0.6479 | 0.14 |
| USD/CNH | 7.2298 | 0.60 |
| USD/MYR | 4.7400 | -0.17 |
| USD/SGD | 1.4008 | -0.43 |
| **Commodities** | | |
| WTI ($/bbl) | 91.87 | -0.79 |
| Brent ($/bbl) | 97.93 | -0.83 |
| Gold ($/oz) | 1,678.50 | -0.43 |
| Copper ($$/MT) | 8,133.00 | 7.51 |
| Aluminum($/MT) | 2,350.00 | 3.96 |
| CPO (RM/tonne) | 4,193.50 | 0.07 |

*Source: Bloomberg, HLBB Global Markets Research*
** Last available traded prices for copper and aluminium as of 4Th November*

Gold prices steadied, buoyed by a weaker dollar, with prices marginally up by 0.1% d/d.

**Eurozone Sentix investor sentiment improved to -30.9 on energy-related sentiment**

- The Sentix investor sentiment index in the Eurozone surprised on the positive side in November, rising by 7.4 points to -30.9. Although still not a trend reversal signal, it came above consensus estimate's -35.0. A comparable development can be reported for Germany, where expectations rose to -32 points, the highest since June. The background for these easing signals was the nuclear power plant compromise in Germany as well as the mild October temperature. The rise in situation and expectation values shows how sensitive investors reacted to signals from the energy market.

**China exports and imports shrank amid COVID curbs and global slowdown**

- China's exports and imports unexpectedly contracted in October, the first simultaneous slump since May 2020, as surging inflation and rising interest rates hammered global demand while new COVID-19 curbs at home disrupted output and consumption. Outbound shipments in October shrank 0.3% y/y, a sharp turnaround from a 5.7% yy/y gain in September and well below expectations for a 4.5% y/y increase, and the worst since May 2020. Inbound shipments also declined 0.7% y/y from a 0.3% y/y gain in September, also below forecast of no growth and the weakest since August 2020. China's imports of soybeans fell and coal imports slipped, as the strict pandemic measures and a property slump disrupted domestic output.

**Malaysia foreign reserves edged up by US$0.7bn**

- Malaysia's foreign reserves rebounded to grow by US$0.7bn in 2H of October to US$105.2bn as at 31 October. This is compared to an outflow of US$1.6bn in 1H of the month. The reserves position is sufficient to finance 5.5 months of imports of goods and services and is 1.1 times of the total short-term external debt.

## 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 | 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 |
|---|---|---|
| 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 |
| | EC Retail Sales YoY (Sep) | -2.00% |
| | US NFIB Small Business Optimism (Oct) | 92.1 |
| 9-Nov | JN BoP Current Account Balance (Sep) | ¥58.9b |
| | JN Bank Lending Incl Trusts YoY (Oct) | 2.30% |
| | CH PPI YoY (Oct) | 0.90% |
| | CH CPI YoY (Oct) | 2.80% |
| | JN Eco Watchers Survey Current SA (Oct) | 48.4 |
| | US MBA Mortgage Applications | -0.50% |
| | US Wholesale Inventories MoM (Sep F) | 0.80% |
| | US Wholesale Trade Sales MoM (Sep) | 0.10% |

*Source: Bloomberg*

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