Global Markets Research

Daily Market Highlights

8 Dec: Skittish traders sent S&P lower for the 5th day

UST yields slumped amid easing wage pressure and geopolitical concerns

USD weakened amid concerns that rising rates could push the US into recession

WTI slumped to $72/barrel, lowest in a year on higher stockpile

- The S&P 500 finished lower for a fifth day, down 0.2% d/d as traders weighed the possibility of a recession, and the likelihood of a longer-than-expected hiking cycle from the Federal Reserve. Dow Jones closed flat, while the Nasdaq Composite fell 0.5% d/d. Stocks wavered between gains and losses in choppy trading, with the S&P falling as much as 0.8%. at one time. Adding to JPMorgan Chase's CEO Jamie Dimon and Bank of America CEO Brian Moynihan's comments earlier, Wells Fargo CEO Charlie Scharf also flagged shrinking growth in credit-card spending and roughly flat debit card transaction volumes, signalling potential slower consumption spending going forward.

  European markets also closed lower following jitters over the state of the global economy. Stoxx 600 ended 0.6% d/d lower, while FTSE100 fell 0.4% d/d. Hong Kong stocks saw sharp declines, leading losses in the Asia-Pacific despite China announcing further easing of Covid measures, while the nation's trade data for November came in weaker than expected. Hang Seng plunged 3.2% d/d, CSI300 -0.3% d/d while Nikkei 225 fell 0.7% d/d.

- Treasury yields pulled back for the day, with the 30-year Treasury yield falling below 3.5% for the first time since September amidst geopolitical concerns and signs of easing wage pressure. An earlier slide in yields in response to a downshift in labour cost gained traction as Russian President Vladimir Putin said risk of nuclear war is rising. The 10-year Treasury yield traded about 12bps lower at 3.42%, while the 2-year rate shed about 11bps to 4.26%. The 30-year Treasury also slid 11bps to close at 3.43%.

- The US dollar weakened against major currencies amid concerns that rising interest rates could push the US economy into recession, while a loosening of China's COVID restrictions boosted the yuan. The Dollar Index was down 0.5% d/d to 105.10. Against the dollar, the euro strengthened 0.4% d/d, sterling +0.6% d/d, yen gained 0.3% d/d. Chinese yuan also strengthened 0.3% d/d against the Dollar while the SGD firmed up by 0.3% d/d to 1.3554. Ringgit was slightly weaker by 0.1% d/d against the Dollar at 4.3970.

- The price of oil fell by about 3.0% for a 3rd straight day, forfeiting all its earlier gains as US distillate inventories and gasoline stockpiles climbed, indicating lower demand. Brent fell 2.8% d/d to $77.17/barrel, while West Texas Intermediate crude fell 3.0% d/d to $72.01, the lowest in about a year. Gold, meanwhile, rose 0.9% d/d, supported by a retreat in the dollar.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	33,597.92	0.00
S&P 500	3,933.92	-0.19
NASDAQ	10,958.55	-0.51
Stoxx Eur 600	436.20	-0.62
FTSE 100	7,489.19	-0.43
Nikkei 225	27,686.40	-0.72
Hang Seng	18,814.82	-3.22
Straits Times	3,225.45	-0.83
KLCI 30	1,466.88	-0.32
FX		
Dollar Index	105.10	-0.45
EUR/USD	1.0506	0.37
GBP/USD	1.2203	0.58
USD/JPY	136.62	-0.28
AUD/USD	0.6725	0.55
USD/CNH	6.9619	-0.27
USD/MYR	4.3970	0.05
USD/SGD	1.3554	-0.26
Commodities		
WTI ($/bbl)	72.01	-3.02
Brent ($/bbl)	77.17	-2.75
Gold ($/oz)	1,785.50	0.92
Copper ($$/MT)	8,456.50	0.42
Aluminum($/MT)	2,485.50	-0.92
CPO (RM/tonne)	3,969.50	-0.86

Source: Bloomberg, HLBB Global Markets Research

US mortgage applications continued to contract; consumer credit increased on revolving loans

- The MBA mortgage loan application decreased 1.9 % w/w for the week ended Dec 2 (prior: -0.8% w/w) led by the Purchase Index which fell 3.0% w/w. The Refinance Index jumped 5.0% w/w as rates decreased for most loan products, with the 30-year fixed declining 8bps to 6.41% (October peak of 7.16%).
- Total consumer credit rose slightly less than expected by $27.1bn in October (Sept: +$25.8bn). That translates into an annual rate of +6.9% y/y, up from a revised 6.6% gain in the prior month. Revolving credit, mainly credit cards, rose 10.4% after an 8.2% gain previously, while nonrevolving credit, typically auto and student loans, moderate to 5.8% (Sept: +6.1%).

Eurozone 3Q GDP and employment revised upwards to +0.3% q/q

- GDP in the Eurozone grew by slightly more than initially estimated at +0.3% q/q in 3Q (advance estimate: +0.2% q/q) with household spending and business investment propping up the economy. Net exports were negative, weighing on overall output. Employment levels also expanded in the Eurozone by 0.3% q/q, the same pace as in 2Q.

China's trade shrank worse than forecast

- China's imports and exports plunged in November to levels not seen since early 2020 as severe COVID-19 restrictions and weakening external demand hit the economy hard. Imports plunged mor than expected by 10.6% y/y (Oct: -0.7% y/y), the biggest drop since May 2020. Exports also fell more than expected by 8.7% y/y (Oct: -0.3% y/y). Shipments to Eurozone, Japan and US declined, with the latter particularly weak, falling 25.0% y/y. Exports of consumer-related goods contracted at double-digit rate, while exports of high-tech machinery and equipment products saw larger declines.
- Separately, China's foreign exchange reserves, the world's largest, rose $65.1bn to $3.12 trillion (Oct: $3.05 trillion). The State Administration of Foreign Exchange (SAFE) said in a statement that the increase in November reserves came amid the weakening dollar and rising prices for global financial assets.

Australia economy grew by 5.9% y/y and 0.6% q/q as consumer spending remained resilient

- Australia's GDP expanded at a faster pace of 5.9% y/y in 3Q (2Q: +3.2% y/y) as the economy accelerated from Covid-related lockdowns a year earlier. The focus, though, is likely to be on the quarterly changes, with bigger than expected pullback in 3Q GDP growth at +0.6% q/q (2Q: +0.9% q/q; consensus: +0.7% q/q). Consumer spending, supported by rising wages and drawdown in savings, continued to support growth in the quarter. As it is, the RBA forecasts annual GDP growth to average 4.0% for 2022 before easing to 2.0% next year and 1.5% in 2024.

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
8-Dec	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
9-Dec	NZ Mfg Activity Volume QoQ (3Q)	-4.90%
	NZ Mfg Activity SA QoQ (3Q)	-3.80%
	CH PPI YoY (Nov)	-1.30%
	CH CPI YoY (Nov)	2.10%
	US PPI Ex Food and Energy YoY (Nov)	6.70%
	US Wholesale Inventories MoM (Oct F)	+0.60%
	US U. of Mich. Sentiment (Dec P)	56.8
	US U. of Mich. 1 Yr Inflation (Dec P)	5.00%
	US U. of Mich. 5-10 Yr Inflation (Dec P)	2.90%

Source: Bloomberg

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