9 February 2022

Global Markets Research

Daily Market Highlights

09-Feb: Higher yields and dollar

US and European equities advanced on Tuesday

10Y UST yield rose to 1.96%; dollar rebounded while euro weakened

US 2021 trade deficit surged to record breaking $859.1b

- US stocks rebounded on Tuesday as investors went in for a bargain hunting following the recent equity selloffs. The Dow Jones and NASDAQ rose over 1% respectively while the S&P 500 picked up 0.8%, led by materials and consumer discretionary sectors. European stocks generally ended higher saves for the flattish UK equities.

- Investors sold bonds on Tuesday, boosting US treasury yields amid the firmer rate hike expectations. The benchmark 10Y UST yield rose 4.7bps to 1.96%, marking its fourth consecutive daily increase.

- The higher US yields lifted the US dollar; the dollar index advanced 0.3% to 95.64. The greenback strengthened against most G10 currencies overnight; the sterling held steadily while AUD and NZD picked up modestly. EUR weakened as remarks from ECB officials pared back expectations of a rate hike as soon as July. According to Reuters, President Christine Lagarde said that there was currently no need for a major tightening. ECB governing council member Francois Villeroy said that the market may have been overreacting to last week's ECB meeting.

- USD/MYR closed little changed at 4.1850 on Tuesday. We remain neutral on the pair today and in the week ahead, eyeing a weekly range of 4.17-4.20 amid cautious sentiment. Malaysia's 4Q21 GDP reading (due on 11-Feb) is expected to be the key driving factor for the pair. Any bigger than expected rebound in Malaysia's 4Q GDP will be positive for the MYR.

- On the commodity front, gold prices rose 0.3% to $1826.6/oz. Oil prices plummeted as traders weighed the ongoing Russia-Ukraine tensions as well as the resumption of the Iran nuclear talks, resulting in the over-2% decline in both Brent crude ($90.78/barrel) and WTI ($89.36/barrel).

US trade gap surged to record high in 2021;

- The US trade deficit widened further to $80.7b in December (Nov: -$79.3b), pushing the full-year 2021 deficit to a record breaking $859.1b, a 27% increase compared to the $763.5b reading in the previous year. The strong demand for overseas goods against the backdrop of a growing economy and higher inflation was the main reason driving the trade gap although the weak service exports due to the global pandemic was also a contributing factor.
- The NFIB Small Business Optimism Index fell to 97.1 in January (Dec: 98.9); the weaker sentiment reflects small business owners' less optimistic view of economic outlook and gloomier perception of future sales as well as the continuous challenge to fill vacancies in the currently tight labour market.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	35,462.78	1.06
S&P 500	4,521.54	0.84
NASDAQ	14,194.46	1.28
Stoxx 600	465.34	0.01
FTSE 100	7,567.07	-0.08
Nikkei 225	27,284.52	0.13
Hang Seng	24,329.49	-1.02
Straits Times	3,401.74	1.05
KLCI 30	1,530.09	-0.04
FX		
Dollar Index	95.64	0.26
EUR/USD	1.1415	-0.24
GBP/USD	1.3543	0.05
USD/JPY	115.55	0.39
AUD/USD	0.7146	0.28
USD/CNH	6.3661	0.06
USD/MYR	4.1850	0.02
USD/SGD	1.3451	0.12
Commodities		
WTI ($/bbl)	89.36	-2.15
Brent ($/bbl)	90.78	-2.06
Gold ($/oz)	1,826.60	0.33

Source: Bloomberg, HLBB Global Markets Research

Hong Kong PMI showed contraction in private sector activity:

- The IHS Hong Kong SAR PMI slipped below 50.0 in January to 48.9, down from 50.8 in December as the rise in Covid-19 infections led to a contraction in private sector activity. The survey also marked the first declines for new orders and output since March 2021 when Hong Kong was previously affected by elevated Covid-19 cases.

Australia's business confidence turned positive:

- The NAB Australia Business Confidence Index turned positive in January, indicating a turnaround in Australia's business sentiment at the start of a new year. The headline confidence index rose to 3.0, from -12.0 prior although the current condition gauge slumped by 5pts to 3.0 (prior: 8.0) amid the still elevated Covid-19 cases. This showed that businesses expect the outbreak (currently waning) to give way to future business growth.

Modest growth in Malaysia's industrial production:

- Malaysia's industrial Production Index (IPI) tapered off for the first time in four months, increasing modestly by 5.8% y/y in December (Nov: +9.4%y/y). The pullback was bigger than ours as well as market expectations but suffice to support the case for a turnaround in 4Q GDP nonetheless. The slower growth was underpinned by continuous albeit easier growth in manufacturing (+8.4% vs +11.3% y/y) and electricity (+3.7% vs +5.1% y/y) output. On the contrary, mining IPI reversed to a contraction of 2.5% y/y during the month (Nov: +3.7% y/y) as natural gas reversed to a small contraction while crude oil saw extended decline. All sectors showed slower growth with the exception of the E&E sector, which grew at a faster pace of 18.2% y/y during the month in review.

House View and Forecasts

FX	This Week	1Q-22	2Q-22	3Q-22	4Q-22
DXY	95-98	96.15	96.40	96.30	96.30
EUR/USD	1.13-1.15	1.13	1.12	1.12	1.13
GBP/USD	1.34-1.36	1.34	1.33	1.35	1.36
AUD/USD	0.70-0.72	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	1.34-1.35	1.35	1.34	1.34	1.33

Policy Rate %	Current	1Q-22	2Q-22	3Q-22	4Q-22
Fed	0-0.25%	0-0.25	0.25-0.50	0.50-0.75	0.75-1.00
ECB	-0.50	-0.50	-0.50	-0.50	-0.50
BOE	0.50	0.50	0.50	0.50	0.75
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
09/02	AU Westpac Consumer Conf SA MoM (Feb)	-2.0%
	US MBA Mortgage Applications (04 Feb)	12.0%
10/02	US Initial Jobless Claims (05 Feb)	238k
	US CPI YoY (Jan)	7.0%

Source: Bloomberg

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