9 May 2022

Global Markets Research

Daily Market Highlights

9-May: Markets remained in broad selling mode

Extended slump in US stocks and bonds

DXY sustained above the 103 handles; Asian currencies under pressure

US nonfarm payroll reaffirmed a tight labour market

- Markets generally remained in selling mode with losses seen extended in global stocks and bonds. Stronger than expected nonfarm job gains of 428k for April renewed expectations the Fed may step up policy normalization, hence renewing concerns higher rates will impede growth going forward.

- The three benchmark US stock indices fell 0.3-1.4% d/d after volatile trading on Friday. Earlier, European stock indices ended in bigger losses of over 1.0% while Asian stocks traded mixed. Futures points to lower opening in Asian markets this morning, with likelihood of another choppy session.

- US treasuries saw continued selloff with the long end pressured the most. Yields advanced 3-11bps across the curve. The curve bear steepened further with the 2s rising 3bps to 2.73% while the 10Y note yields climbed 9bps higher to 3.13%.

- In the FX space, the Dollar Index failed to hold on to gains but managed to recoup losses in US trading session to end the day marginally lower at 103.66 (prior 103.75). The greenback traded mixed against the G10s, weakening against the EUR, DKK and NOK, but gained against the GBP, JPY, and commodity currencies led by the AUD (+0.5%). Major Asian currencies all weakened with the exception of IDR and HKD which ended unchanged.

- USD/MYR traded in a bullish tone last Friday, moving two big figures up from 4.35 to 4.37. The pair traded to a high of 4.3760 before closing the day at 4.3665, up 0.4% on the day. USD/MYR outlook remains slightly bullish potentially in a range of 4.35-4.40 in our view despite the persistently overbought condition since mid-April. Key event risk this week, namely the BNM OPR decision on 11-May and 1Q GDP on 13-May is expected to keep investors on toes. We expect no change in the OPR at the upcoming meeting although markets are turning split on the decision.

- Gold rose for the 2nd straight day, remained supported by its appeal as an inflation hedge. Gold futures increased 0.4% to $1882.80/oz. Crude oil prices also continued to gain grounds on Friday, but has since retreated as markets weighed news that G7 would now ban Russian oil imports as well as price cut by Saudi Arabia, not forgetting concerns over slowing demand from China. The Brent crude last settled 1.3% higher at $112.39barrel whilst US WTI advanced 1.4% to $109.77/barrel on Friday and are seen trading lower at $111.68/ barrel and $109.01/ barrel at time of writing.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	32,899.37	-0.30
S&P 500	4,123.34	-0.57
NASDAQ	12,144.66	-1.40
Stoxx 600	429.91	-1.91
FTSE 100	7,387.94	-1.54
Nikkei 225	27,003.56	0.69
Hang Seng	20,001.96	-3.81
Straits Times	3,291.89	-1.55
KLCI 30	1,564.34	-1.18
FX		
Dollar Index	103.66	-0.09
EUR/USD	1.0551	0.09
GBP/USD	1.2348	-0.11
USD/JPY	130.56	0.28
AUD/USD	0.7076	-0.51
USD/CNH	6.7180	0.54
USD/MYR	4.3665	0.41
USD/SGD	1.3852	0.04
Commodities		
WTI ($/bbl)	109.77	1.39
Brent ($/bbl)	112.39	1.34
Gold ($/oz)	1,882.80	0.38

Source: Bloomberg, HLBB Global Markets Research

Solid US job reports reaffirmed a tight labour market

- US nonfarm job gains surprised on the upside with 428k jobs added in April (Mar: 428k upwardly revised and consensus 380k), led by job additions from the services industry (leisure & hospitality, education & health, transport & warehousing), as well as the manufacturing sectors. Job creation was however revised lower by a total 39k in the last two months.
- Unemployment rate held steady at 3.6% in April, missing expectations for an improvement to 3.5%, its pre-pandemic low back in Feb-20.
- Wages as measured by the average hourly earnings increased at a slower pace of 0.3% m/m and 5.5% y/y (Mar: +0.5% m/m and +5.6% y/y). This offers little to change the tight labour market condition but suggests real income may come under increased pressure as inflation stays exorbitant.

Japan labour cash earnings saw sustained growth

- Labour cash earnings sustained a 1.2% y/y increase in March, besting expectations for a slower 0.9% y/y increase. Smaller gains in contracted earnings (+0.6% vs +1.0%) were cushioned by higher increases in bonus payout (+10.7% vs +8.1%). Real cash earnings however fell 0.2% y/y as inflation continues to bite.

House View and Forecasts

FX	This Week	2Q-22	3Q-22	4Q-22	1Q-23
DXY	102-105	98.5	99.0	98.0	97.5
EUR/USD	1.04-1.06	1.10	1.09	1.10	1.12
GBP/USD	1.22-1.25	1.29	1.28	1.30	1.31
AUD/USD	0.70-0.72	0.76	0.77	0.76	0.76
USD/JPY	129-131	121	120	120	120
USD/MYR	4.35-4.40	4.20	4.18	4.16	4.16
USD/SGD	1.38-1.39	1.36	1.35	1.34	1.33

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	0.50	0.75	1.00	1.25
BOJ	-0.10	-0.10	-0.10	-0.10	-0.10
BNM	1.75	1.75	2.00	2.00	2.25

Source: HLBB Global Markets Research

Up Next

Date	Events	Prior
)9/05	JP Jibun Bank Japan PMI Services (Apr F)	50.5
	EZ Sentix Investor Confidence (May)	-18.0
	CN Exports YoY (Apr)	14.7%
	CN Imports YoY (Apr)	-0.1%
10/05	NZ Card Spending Retail MoM (Apr)	-1.3%
	AU CBA Household Spending MoM (Apr)	9.2%
	JP Household Spending YoY (Mar)	1.1%
	AU NAB Business Confidence (Apr)	16.0
	MA Industrial Production YoY (Mar)	3.9%
	EZ ZEW Survey Expectations (May)	-43.0
	US NFIB Small Business Optimism (Apr)	93.2

Source: Bloomberg

Hong Leong Bank Berhad
Fixed Income & Economic Research, Global Markets
Level 8, Hong Leong Tower
6, Jalan Damanlela
Bukit Damansara
50490 Kuala Lumpur
Tel: 603-2081 1221
Fax: 603-2081 8936
HLMarkets@hlbb.hongleong.com.my

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