9 June 2022

Global Markets Research
Daily Market Highlights

09-June: Stocks, bonds pressured by growth concerns

10Y UST yield back above 3.00%; stock benchmarks ended lower
Dollar strengthened against most currencies; JPY fell to fresh 20-year low
Oil prices extended gains above $122/barrel as US Cushing inventories fell

- US stocks closed lower overnight ahead of Friday's US CPI data as investors mull weaker global growth outlook and elevated inflation amid the continuous rally in crude oil prices. The S&P 500 underperformed with the largest single-day losses of 1.1%, driven by the selloff in tech shares after Citigroup warned that chipmaker Intel Corp could pre-announce weaker 2Q earnings and trimmed their near-term profit estimates.

- The Dow Jones fell 0.8% and tech-focus NASDAQ ticked lower by 0.7%. European stocks fell ahead of today's ECB Governing Council decision while Asian benchmarks mostly closed higher earlier of the day.

- Treasury yields moved higher overnight by 4-6bps after the auction of $33b 10Y UST. The yield on the benchmark 10Y UST rose 4bps to 3.02%. Yields on the belly to the long-end of the curve topped 3.0% amid inflation and growth concerns.

- The greenback strengthened against most G10 and Asian currencies on Wednesday. The dollar index posted a 0.2% gain at 102.54, more than recovering the slight losses recorded in the prior session. The JPY weakened 1.2% to a fresh 20Y low of 134.25 vs the USD alongside higher US treasury yields while the market continued to focus on the Fed-BOJ policy divergence. EUR rose 0.1% amid expectations the ECB will pave the way for a July rate hike.

- USD/MYR closed on a flat note at 4.3945. The return of USD strength may push the pair higher, testing the 4.40 resistance. Otherwise, the lack of immediate drivers and the anticipation for US CPI data may keep the pair grounded within the range of 4.38-4.40. Downside appeared to be limited at 4.35-4.37.

- Oil prices advanced further above $122/barrel as US crude inventories at Cushing, Oklahoma (the nation's largest storage hub) fell by 1.6 million barrels last week. WTI rose 2.3% to $122.11/barrel while Brent crude gained 2.5% to $123.58/barrel.

Eurozone's GDP growth revised higher:

- The Eurozone's first quarter GDP growth was revised higher to 0.6% q/q, from 0.3% prior, which in turn translated into 5.4% y/y growth, compared to the initial estimate of 5.1%. Household consumption was down by 0.7% q/q and subtracted 0.3ppts from the headline growth, driven by Omicron related restrictions during the first three months of the year.
- Employment was up 0.6% q/q in the first quarter, extending from the 0.5% gain in the previous quarter. Employment rose 2.9% higher compared to a year ago (4Q21: +2.1), reflecting the continuous tightening of the Eurozone's labour market.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	32,910.90	-0.81
S&P 500	4,115.77	-1.08
NASDAQ	12,086.27	-0.73
Stoxx 600	440.37	-0.57
FTSE 100	7,593.00	-0.08
Nikkei 225	28,234.29	1.04
Hang Seng	22,014.59	2.24
Straits Times	3,225.80	-0.18
KLCI 30	1,523.86	-0.14
FX		
Dollar Index	102.54	0.22
EUR/USD	1.0716	0.12
GBP/USD	1.2537	-0.44
USD/JPY	134.25	1.25
AUD/USD	0.7194	-0.53
USD/CNH	6.7011	0.44
USD/MYR	4.3945	0.02
USD/SGD	1.3758	0.16
Commodities		
WTI ($/bbl)	122.11	2.26
Brent ($/bbl)	123.58	2.50
Gold ($/oz)	1,851.90	0.24

Source: Bloomberg, HLBB Global Markets Research

US mortgage applications fell for four weeks in a row:

- The MBA mortgage applications fell 6.5% w/w for the week ended 03 June, extending from the 2.3% decline prior. This marked applications' fourth consecutive weekly decline since mid-May, reflecting the impact of the ongoingly high interest rates on the mortgage and the broader housing markets. Both refinancing and purchases indexes were down as the average 30Y fixed rate contracts rose to 5.4% (versus 5.33% in the previous week). Similar contracts were priced at 3.15% a year ago.

UK RICS house price balance retreated more than expected:

- RICS house price balance pulled back more than expected to 73% in May (Apr: 80%), but has been ranging between 73-80% since the beginning of the year (2021 ranges: 51-84%) suggesting some resiliency in the UK housing market although there are already evidence the UK housing market is poised for an imminent slowdown in the wake of higher interest rates, slower economic growth and higher cost of living.
- The lower proportion of surveyors reporting a rise in prices minus those reporting a decline in prices in May was due to lower price and sales expectations. While new buyer enquiries have turned negative, new instructions rebounded to a neutral level from the decline in April. Sales to stock ratio remained steady at 52.2% during the month, its highest since Jul-21 (54.5%).

House View and Forecasts

FX	This Week	2Q-22	3Q-22	4Q-22	1Q-23
DXY	101-103	106.00	108.00	105.00	103.00
EUR/USD	1.06-1.09	1.02	1.00	1.01	1.03
GBP/USD	1.25-1.27	1.21	1.20	1.22	1.24
AUD/USD	0.71-0.73	0.69	0.68	0.69	0.70
USD/JPY	127-132	133.00	135.00	133.00	132.00
USD/MYR	4.35-4.40	4.38	4.40	4.38	4.35
USD/SGD	1.36-1.38	1.39	1.40	1.38	1.37

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	0.85	0.85	1.60	1.85	1.85
BOJ	-0.10	-0.10	-0.10	-0.10	-0.10
BNM	2.00	2.00	2.50	2.50	2.75

Source: HLBB Global Markets Research

Up Next

Date	Events	Prior
09/06	Machine tool orders YOY (May P)	25.0%
	EZ ECB Deposit Facility Rate (09 Jun)	-0.5%
	US Initial Jobless Claims (04 Jun)	200k
	CN Exports YoY (May)	3.9%
	CN Imports YoY (May)	0.0%
10/06	NZ Card Spending Retail MoM (May)	7.0%
	JP PPI YoY (May)	10.0%
	CN PPI YoY (May)	8.0%
	CN CPI YoY (May)	2.1%
	MA Industrial Production YoY (Apr)	5.1%
	US CPI YoY (May)	8.3%
	US U. of Mich. Sentiment (Jun P)	58.4

Source: Bloomberg

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