

9 November 2022

Global Markets Research

Daily Market Highlights

9 Nov: US midterm election results in focus

Stocks and bonds advanced amid expectations of a divided US government

DXY closed below the 110 handle; EUR stayed above parity for a second straight day

Oil prices retreated on growing concerns on slowing oil demand

- Stocks rose as investors awaited the results of the U.S. midterm elections, which could affect future levels of government spending and regulation. The Dow Jones Industrial Average gained 1.0%, the S&P 500 was up 0.6% while Nasdaq Composite advanced 0.5% d/d. All three indexes are up for their third straight positive day. The pan-European Stoxx 600 closed 0.8% d/d higher, with tech stocks leading the vast majority of sectors and all major bourses into the green. Oil and gas stocks were the sole outlier as crude oil prices fell. Stocks in the Asia-Pacific traded mostly higher as investors digest the Bank of Japan's summary of opinions and look ahead to the U.S. midterm elections. The Nikkei 225 rose 1.3% while the S&P/ASX 200 rose 0.4% in Australia. The Hang Seng index in Hong Kong was 0.2% lower after struggling for direction.
- The yield on the benchmark 10-year US treasuries was last down 9bps d/d to 4.12%. Meanwhile, the yield on the interest rate-sensitive 2-year UST fell by about 7bps to 4.65%.
- The dollar index broke below the 100 handle, closing 0.5% d/d lower to 109.62 but a potential strong reading of the consumer price index later this week could reverse the currency's slide. The EUR rose 0.5% d/d to 1.0074, while the JPY strengthened 0.7% d/d to 145.66. The GBP and AUD advanced 0.3% and 0.4% respectively. Ringgit posted a slight appreciation of 0.1% d/d, last closed at 4.7358.
- Oil prices edged more than 2.0% lower on growing worries about fuel demand as COVID-19 outbreaks worsened in top crude importer China as well as jitters over the U.S. midterm elections outcome. Brent fell 2.5% d/d, while the WTI declined 3.0% d/d. The EIA also cut its U.S. energy demand outlook for 2023, while oil producer Diamondback Energy warned that the U.S. shale industry will continue to struggle to expand production at its current pace, with costs of new shale wells likely rising. Gold prices jumped 2.1% d/d to above the key \$1,700/oz level.

US NFIB small business confidence fell to 91.3, lowest since July

- The National Federation of Independent Business (NFIB)'s Small Business Optimism Index fell 0.8 points to 91.3 in October, the lowest level since July. The retreat came after two straight months of gains, which followed a deterioration over the first half of this year. The share of owners expecting better business conditions over the next six months dropped 2 points m/m

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	33,160.83	1.02
S&P 500	3,828.11	0.56
NASDAQ	10,616.20	0.49
Stoxx Eur 600	421.61	0.78
FTSE 100	7,306.14	0.08
Nikkei 225	27,872.11	1.25
Hang Seng	16,557.31	-0.23
Straits Times	3,145.83	0.14
KLCI 30	1,441.35	-0.05
FX		
Dollar Index	109.62	-0.45
EUR/USD	1.0074	0.54
GBP/USD	1.1545	0.27
USD/JPY	145.66	-0.66
AUD/USD	0.6504	0.39
USD/CNH	7.2355	0.08
USD/MYR	4.7358	-0.09
USD/SGD	1.3989	-0.14
Commodities		
WTI (\$/bbl)	89.04	-3.00
Brent (\$/bbl)	95.43	-2.54
Gold (\$/oz)	1,715.70	2.09
Copper (\$\$/MT)	7,914.50	-2.28
Aluminum(\$/MT)	2,337.00	-0.79
CPO (RM/tonne)	4,212.50	0.45

Source: Bloomberg, HLBB Global Markets Research

* Last available traded prices for copper and aluminium as of 7th November

to -46%. The NFIB's Uncertainty Index remained unchanged. The survey also showed 46% of owners reported job openings that were hard to fill last month, also unchanged from September.

Eurozone retail sales up m/m, Aug revised upwards

- Eurozone's retail sales rose as expected m/m in September but fell less than expected y/y after a strong upward revision for August. Sales rose 0.4% m/m and fell 0.6% y/y. Eurostat also revised upwards retail sales for August to flat growth from previously reported -0.3% m/m. The monthly increase in September was driven mainly by purchases through the internet, which rose 2.6% (August: -4.1% during the holiday season). Conversely, sales of automotive fuel which rose 2.1% m/m when people travel for vacation in August, fell 0.6% m/m.

Japan household spending grew on economic reopening

- Japanese households ramped up spending in September from a year earlier to mark a four-month growth streak, as shoppers enjoyed their first summer without coronavirus curbs since before the pandemic. Household spending rose 2.3% y/y in September, coming slightly lower than consensus estimate of 2.6% y/y and August's +5.1% y/y. On a m/m basis, spending gained 1.8%. Robust consumption, however, faces increasing inflationary pressure aggravated by the yen's sharp depreciation. Real wages fell in September for a sixth consecutive month at 1.3% y/y.
- Japan's leading index, meanwhile, fell to 87.4 from 101.3 the prior month. On a m/m basis, we noted worsening m/m indices across board with the exception of producers' final demand and inventory ratio as well as new job offers which saw a rebound.

Australia consumer sentiment and business confidence softened

- Australia Household Spending Intentions rose 0.9% m/m in October to 116.0 (September: -0.5% m/m). The gains in October were, however, narrowly based and impacted by higher prices in a number of categories and was lower than what could have been expected on a seasonal basis.
- Australian consumers grew more grim over the economy in November as rising inflation, high interest rates and laggard wage growth greatly weighed on spending power in the country. The Westpac Melbourne Institute Consumer Sentiment Index fell 6.9% m/m to November, far more than prior month's decline of 0.9%. The reading was its worst drop in over two years, and also saw the index slump to historical lows of 78.0.
- Australian businesses reported another strong month for sales and profitability in October, though rising costs and a dip in forward orders took a toll on confidence that could presage a slowdown ahead. NAB's index of business conditions eased 1 point to +22 in October, still far above its long-run average. The volatile measure of confidence eased 5 points to 0, leaving it below the long-run average. Overall, the survey suggests that firms are growing wary of the potential for a slower period ahead, despite ongoing strong demand.

New Zealand inflation expectation increased

- New Zealand's near-term rate of inflation is expected to ease over the coming year but will be higher than previously predicted. The Reserve Bank of New Zealand's (RBNZ) quarterly survey of expectations showed business managers forecast annual inflation would average 5.08% over the coming year, from 4.86% in the previous survey in September. Two-year inflation expectations, nevertheless, is seen accelerating to 3.62% from 3.07%.

Malaysia unemployment eased to 3.6%, IPI grew at a moderated pace of 10.8%

- Industrial Production Index (IPI) grew at a more moderate pace for the first time in four months, although overall growth remained hefty at 10.8% y/y in September (Aug: +13.5% y/y). Manufacturing (+10.4% vs +15.2% y/y) and electricity (+4.1% vs +9.9% y/y) output reported slower growth but the moderation was partly cushioned by mining, which gained traction for the 4th straight month (+15.0% vs +8.0%). Contrary to observation of a slower external environment, export-oriented industries have been on a steadier path vis-à-vis domestic-oriented sectors. Quarter-to-date, data reaffirmed our view for a 12.4% expansion in 3Q GDP (2Q: +8.9%).
- Closely tracking IPI, manufacturing sales also expanded at a softer but still commendable pace of 19.5% y/y in September (Aug: +24.4%), driven by E&E products (+24.7% vs +25.8%), Petroleum, chemical, rubber & plastic products (steady at +27.2%) and Food, beverages & tobacco products (+7.1% vs +18.4%) subsectors.
- Labour market data showed continuous improvement in the labour market. Unemployment rate improved to 3.6% in September, after holding steady at 3.7% in the preceding two months, down from 4.2% at the beginning of the year. A separate report, meanwhile, showed the number of employees in the manufacturing sector rising at a slower pace of 3.8% y/y in September (Aug: +4.3% y/y) while salaries & wages as shown by the manufacturing sales report increased at a slower rate of 5.4% y/y in September (Aug: +7.5%).

House View and Forecasts

FX	This Week	4Q-22	1Q-23	2Q-23	3Q-23
DX	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
9-Nov	JN BoP Current Account Balance (Sep)	¥58.9b
	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%
9-15 Nov	CH Aggregate Financing CNY (Oct)	3530.0b
	CH New Yuan Loans CNY (Oct)	2470.0b
	CH Money Supply M2 YoY (Oct)	12.10%
10-Nov	AU Consumer Inflation Expectation (Nov)	5.40%
	UK RICS House Price Balance (Oct)	32%
	EC ECB Publishes Economic Bulletin	
	US CPI YoY (Oct)	8.20%
	US Initial Jobless Claims	217k

Source: Bloomberg

Hong Leong Bank Berhad

Fixed Income & Economic Research, Global Markets
 Level 8, Hong Leong Tower
 6, Jalan Damansara
 Bukit Damansara
 50490 Kuala Lumpur
 Tel: 603-2081 1221
 Fax: 603-2081 8936

HLMarkets@hlbb.hongleong.com.my

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