9 December 2022

Global Markets Research

Daily Market Highlights

9 Dec: S&P closed higher, ending its streak of losses

S&P snapped five consecutive days of losses ahead of US PPI and CPI

Initial jobless claims still point to a resilient labour market

Oil prices fell following shut in Canadian pipeline

- Stocks rose with the S&P 500 breaking its streak of losses to close the day 0.8% higher. Dow Jones added 0.6% d/d, while the Nasdaq Composite rallied 1.1% d/d. Investor attention remains laser-focused on next week's FOMC meeting, where the central bank is widely expected to deliver a 50bps hike. Next week's November CPI should also provide more clarity on the direction of inflation, along with the PPI today. European markets closed slightly lower with both the Stoxx 600 and FTSE 100 ending down 0.2% d/d. Hang Seng index popped more than 3.0% as a local news outlet reported the city is considering easing Covid measures further, including lifting its outdoor mask rule and relaxing mandatory testing for arrivals. CSI 300 was flattish while Nikkei 225 was down 0.4% d/d.

- Treasury yields moved higher as investors assessed the outlook for the Federal Reserve's interest rate hikes and awaited key inflation data slated later today. The yield on the 10-year Treasury closed at 3.48%, rising by around 7bps. The 2-year Treasury yield was last up by 5bps at 4.31%.

- The USD edged lower on Thursday against the EUR as investors weighed the outlook for U.S. Federal Reserve policy against the chances that higher interest rates could lead to a recession. The dollar weakened 0.5% d/d against EUR and was 0.3% d/d weaker versus the pound. The Japanese yen weakened 0.04% d/d while the AUD surged 0.7% d/d. Ringgit was relatively stable, weakening 0.1% d/d to 4.4015 against the Dollar.

- Oil prices edged lower on Thursday as the energy markets are weighed down by fears of an economic slowdown, weakening fuel demand amid the prospect of more U.S. interest rate hikes. Brent crude fell 1.1% d/d while U.S. West Texas Intermediate (WTI) crude shed 0.8% d/d. It should be noted that Canada's TC Energy said it shut its 622k barrel-per-day Keystone pipeline, which is the primary line shipping heavy Canadian crude from Alberta to the US Midwest and Gulf Coast, after a spill into a Kansas creek. Gold prices, meanwhile, edged 0.1% d/d higher as the dollar eased. The World Gold Council (WGC) also said global gold ETFs (exchange traded funds) holdings fell for a seventh straight month in November, although outflows slowed to a modest 34tons worth $1.8bn.

US initial jobless claims still points to a resilient labour market

- In the week ending December 3, initial jobless claims rose 4k w/w to 230k (prior: +1k to 226k), largely within expectations. In tandem with this,

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	33,781.48	0.55
S&P 500	3,963.51	0.75
NASDAQ	11,082.00	1.13
Stoxx Eur 600	435.47	-0.17
FTSE 100	7,472.17	-0.23
Nikkei 225	27,574.43	-0.40
Hang Seng	19,450.23	3.38
Straits Times	3,236.08	0.33
KLCI 30	1,465.93	-0.06
FX		
Dollar Index	104.79	-0.35
EUR/USD	1.0556	0.48
GBP/USD	1.2234	0.25
USD/JPY	136.67	0.04
AUD/USD	0.6769	0.65
USD/CNH	6.9613	-0.01
USD/MYR	4.4015	0.10
USD/SGD	1.3536	-0.13
Commodities		
WTI ($/bbl)	71.79	-0.84
Brent ($/bbl)	76.51	-1.14
Gold ($/oz)	1,801.30	0.13
Copper ($$/MT)	8,536.00	0.48
Aluminum($/MT)	2,500.00	-0.12
CPO (RM/tonne)	3,908.00	-2.23

Source: Bloomberg, HLBB Global Markets Research continuing claims for the week ending November 26 also accelerated, albeit more than expected by +62k to 1671K (prior: 1609k). While recent job numbers showed tentative signs of softening, the US labour market remained resilient nonetheless.

UK saw most widespread house price falls since May 2020

- The Royal Institution of Chartered Surveyors (RICS) reported that its house price net balance, which measures the difference between the percentage of surveyors seeing rises and falls in house prices, sank more than expected to -25 in November (Oct: -2). This was the lowest print since May 2020. Looking ahead, RICS economist nevertheless said it was possible that the fall in house prices might be fairly modest, as unemployment was low and not forecast to rise as much as in previous downturns. Rents are on course to keep rising as well.

Japan upgraded 3Q GDP growth to -0.8% q/q

- Japan's economy surprisingly shrank less than initially estimated in 3Q at -0.8% q/q (previous estimate: -1.2% q/q and 2Q: +4.5% q/q). Among sectors, private consumption, which makes up more than half of Japan's GDP, and capital expenditure and exports served as main drivers of growth. In 4Q, economy will be supported by easing of supply restrictions on microchips and cars, and lifting of COVID-19 border controls, boosting tourism. This, will however, be offset by slower external demand. The latest ECO Watcher's survey also showed that economic activity worsened in November with the current and outlook indices worse than expected at 48.1 (Oct: 49.9) and 45.1 respectively (October: 46.4).

Australia continued to register trade surplus

- Australia's trade balance was steady in October as the country's massive commodity exports, especially for metals and gas, weakened slightly while sluggish domestic demand pulled imports a touch lower. The surplus eased slightly to A$12.2bn (Sept: A$12.4bn) slightly above expectations of A$12.0bn. Both exports and imports unexpectedly fell about 1.0% m/m in October (Sept: +7.0% for exports and 0.0% m/m for imports).

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
9-Dec	NZ Mfg Activity Volume QoQ (3Q)	-4.90%
	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%
12-Dec	JN PPI MoM (Nov)	0.60%
	UK Rightmove House Prices MoM (Dec)	-1.10%
	MA Industrial Production YoY (Oct)	10.80%
	UK Industrial Production MoM (Oct)	0.20%
	UK Trade Balance GBP/Mn (Oct)	-£3135m

Source: Bloomberg

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