10 February 2022

Global Markets Research

Daily Market Highlights

10-Feb: All eyes on US CPI today

US stocks driven by tech rally as bargain hunting continued

Yield curve flattened ahead of CPI; USD strength lost steam

Oil prices recovered modestly after previous selloff

- US stocks extended gains on Wednesday as bargain hunting continued ahead of the release of the all-important CPI data. The NASDAQ outperformed with a 2.1% gain, spurred by a rally in technology shares; the S&P 500 jumped 1.5%, lifted by all eleven sectors while the Dow Jones rose 0.9%. European and Asian equities also closed higher earlier on the same day.

- Treasuries traded on a mixed note with the curve flattening before the CPI data. Front-end yields rose and longer-term yields ticked lower. The yield on the benchmark 10Y UST fell 2.2bps to 1.94% after a strong $37b auction.

- The US dollar strength from the previous session dissipated. Most major currencies strengthened against the USD, weighing on the dollar index (-0.2%). AUD and NZD extended their recent gains, topping the G10 basket's performances.

- USD/MYR saw another muted session on Wednesday, ending the day little changed (-0.03%) at 4.1840. We remain neutral on the pair today and in the week ahead, eyeing a weekly range of 4.17-4.20 amid cautious sentiment as the market eyes US CPI data tonight and Malaysia's 4Q21 GDP reading (due 11-Feb).

- Gold futures climbed 0.5% to $1835.2/oz amid weaker USD. Oil prices rebounded after falling over 2.0% in the previous session. Brent crude gained 0.9% to $91.55/barrel and WTI rose 0.3% to $89.66/barrel.

- The US consumer price index (CPI) inflation is expected to hit 7.2% y/y for the month of January, according to a Bloomberg consensus forecast. The sharper price gain should reaffirm the expectations that the Fed will raise the fed funds rate by 50bps come 16 March, instead of 25bps. The US initial jobless claims data will also be out at the same time today, with consensus looking at a 230k reading.

US mortgage applications fell amid higher interest rates:

- The MBA mortgage applications fell 8.1% w/w for the week ended 04 Feb after having risen by 12.0% prior. The higher interest rates driven by the sharp rise in treasury yield last week weighed on mortgage demand, resulting in the falls of both purchases and refinancing applications.
- Wholesale inventories rose for the 17th consecutive month in the US, picking up 2.2% m/m in the final month of 2021 (Nov: +1.7%) as businesses continued to ramp up inventories in anticipation of a strong consumer demand while taking advantage of the easing supply chain pressures.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	35,768.06	0.86
S&P 500	4,587.18	1.45
NASDAQ	14,490.37	2.08
Stoxx 600	473.33	1.72
FTSE 100	7,643.42	1.01
Nikkei 225	27,579.87	1.08
Hang Seng	24,829.99	2.06
Straits Times	3,420.04	0.54
KLCI 30	1,551.51	1.40
FX		
Dollar Index	95.49	-0.16
EUR/USD	1.1425	0.09
GBP/USD	1.3535	-0.06
USD/JPY	115.52	-0.03
AUD/USD	0.7179	0.46
USD/CNH	6.3631	-0.05
USD/MYR	4.1840	-0.03
USD/SGD	1.3418	-0.25
Commodities		
WTI ($/bbl)	89.66	0.34
Brent ($/bbl)	91.55	0.85
Gold ($/oz)	1,835.20	0.47

Source: Bloomberg, HLBB Global Markets Research

Australia's consumer confidence slipped further in February:

- The Westpac Consumer Confidence Index fell to a 17-month low of 100.8 in February (Jan: 102.2), marking its third consecutive monthly decline (-1.4% m/m) since December last year. This reflects consumers' downward assessments in current conditions and family finance in the year ahead. Compared to last year, consumer sentiment was down by 7.6% as consumers face the uncertainties of higher prices despite the government's more flexible management of Covid-19 pandemic now.

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
10/02	US Initial Jobless Claims (05 Feb)	238k
	US CPI YoY (Jan)	7.0%
11/02	NZ BusinessNZ Manufacturing PMI (Jan)	--
	NZ Card Spending Total MoM (Jan)	1.9%
	MA GDP Annual YoY (2021)	-5.6%
	MA GDP YoY (4Q)	-4.5%
	UK Monthly GDP (MoM) (Dec)	0.9%
	UK GDP QoQ (4Q P)	1.1%
	UK Industrial Production MoM (Dec)	1.0%
	UK Visible Trade Balance GBP/Mn (Dec)	-£11337m
	US U. of Mich. Sentiment (Feb P)	--

Source: Bloomberg

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