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Global Markets Research

Daily Market Highlights

10-May: Extended selloff in global equities

US equity benchmarks slumped to 2022 lows, led by energy & tech shares

Treasury yields retreated; 10Y UST yield remained above 3.00%

Crude oil prices collapsed as investors mulled Saudi price cut and European sanctions

- The global equity markets plummeted further on Monday, extending from last week's selloff as the elevated inflation and central bank tightening cloud growth outlook. US stocks saw another session of brutal selling (-2.0% to -4.3%), led by energy and tech shares, leaving all three major indexes at their new 2022 lows. The pan-European STOXX Europe 600 fell 2.9% amid a broad decline in European shares while the Nikkei 225 and Hang Seng erased 2.5% and 3.8% respectively.
- Bonds however rebounded as stocks suffered further losses; US treasury yields plunged by 8-15bps on Monday led by the strong appetites for the front-to-medium tenures. The yield on the benchmark 2Y UST notes shed 14bps to 2.60% while the 10Y UST yield fell 9bps to 3.04%, after hitting 3.13% last Friday.
- The dollar traded on a mixed note on Monday. The dollar index was flat at 103.65 (-0.01%) as the stronger JPY and EUR offset the weaker GBP, CHF, CAD and SEK. Among the G10 currencies, commodity currencies suffered serious losses (1-2%) alongside the collapse in crude oil.
- Brent crude tanked 5.7% to \$105.94/barrel while WTI lost a whopping 6.1% to \$103.09/barrel as the market reacted to the Saudi price cut and the potentially less severe European oil sanction on Russia.
- On the local front, USD/MYR rose further by 0.41% to 4.3845 on Monday, its strongest level since April 2020. 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.

Eurozone Sentix investor confidence turned more negative:

- The Sentix Investor Confidence Index slipped to -22.6 in May, from -18.0 prior. This marked the index's third consecutive month of negative reading ever since the Russian invasion of Ukraine began in late February. The survey showed that both the current situation and expectations indexes dropped further by 4-5pts in the negative territory as the growth outlook for the Eurozone turned even murkier amid the ongoing conflict, higher inflation and the withdrawal of stimulus by the European Central Bank.

Japan's services PMI rose above 50:

- The Jibun Bank Japan Services PMI rebounded to 50.7 in April (Mar: 49.4), ending a three-month sub-50 streak. The renewed expansion in the Japanese services sector came as the remaining Covid-19 restrictions were lifted. The survey, however, did point out the drop in total demand for the third time in four months

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	32,245.70	-1.99
S&P 500	3,991.24	-3.20
NASDAQ	11,623.25	-4.29
Stoxx 600	417.46	-2.90
FTSE 100	7,216.58	-2.32
Nikkei 225	26,319.34	-2.53
Hang Seng	20,001.96	-3.81
Straits Times	3,275.07	-0.51
KLCI 30	1,549.18	-0.97
FX		
Dollar Index	103.65	-0.01
EUR/USD	1.0561	0.09
GBP/USD	1.2332	-0.13
USD/JPY	130.29	-0.21
AUD/USD	0.6952	-1.75
USD/CNH	6.7566	0.57
USD/MYR	4.3845	0.41
USD/SGD	1.3907	0.40
Commodities		
WTI (\$/bbl)	103.09	-6.09
Brent (\$/bbl)	105.94	-5.74
Gold (\$/oz)	1,858.60	-1.29

Source: Bloomberg, HLBB Global Markets Research

related to the Ukraine war and China's Covid outbreak. Nonetheless, the overall outlook for business activity has strengthened.

- Japan's household spending fell 2.3% y/y in March (Feb: +1.1%), less than the expected decline of 3.3% y/y. On a monthly basis, spending rose 4.1% m/m (Feb: -2.8%) thanks to the lifting of Covid rules as stated earlier.

China's external trade weakened amid Covid outbreak:

- China's external trade weakened in April amid the extended lockdown in Shanghai while authorities began to tighten curbs in the capital city of Beijing in late April following an outbreak. China's exports rose a mere 3.9% y/y in April (Mar: +14.7%), marking its weakest growth in nearly two years although the reading beat the consensus forecast of 2.7% y/y. The shutdown of factories affected production while the imposition of strict testing rules created huge logistical challenges, resulting in the delay in shipments of goods to the foreign markets.
- Imports were unchanged y/y in the same month, marking its second month of flat reading (Mar: -0.1%) as the overall Chinese demand for overseas goods slumped substantially when residents stayed home and factories did not operate temporarily.

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
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
11/05	AU Westpac Consumer Conf SA MoM (May)	-0.9%
	CN PPI YoY (Apr)	8.3%
	CN CPI YoY (Apr)	1.5%
	MA BNM Overnight Policy Rate (11 May)	1.75%
	MA Foreign Reserves (29 Apr)	--
	US MBA Mortgage Applications (06 May)	--
	US CPI YoY (Apr)	8.5%

Source: Bloomberg

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