10 November 2022

Global Markets Research
Daily Market Highlights

10 Nov: US stocks closed lower

Indecisive midterm election outcome and crypto selloff weighed on markets
DXY rebounded on haven bids on the back of sharp pullback in other majors
China inflation eased and producer price retreated into negative territory

- Stocks were lower following recent market gains as results of the midterm elections provided no clear answers about who would control Congress yet. A crypto selloff also weighed on markets. The Dow Jones Industrial Average fell 2.0%, led by Disney which plunged 13.2% d/d after the entertainment giant missed earnings estimates. The S&P 500 shed 2.1% and the Nasdaq Composite lost 2.5% d/d. The stock market is coming off three-straight days of gains into the election, where Wall Street was expecting Republicans to gain ground and block any future tax and spending plans but control of Congress was not clear. Stocks also fell to session lows after Binance said it's backing out of plans to acquire FTX. Corporate earnings remain a key driver. Adidas, Bilfinger, Commerzbank, E.On, Siemens Healthineers, ABN Amro and Ahold Delhaize were among those reporting result.

- US treasuries yields also fell across the curve, with the yield on the benchmark 10-year Treasury was down 3bps to 4.09%. The 2-year Treasury yield fell 7bps to 4.58%.

- The dollar advanced against several major currencies on Wednesday, as results so far for the midterm elections showed little evidence of a "red wave" resounding Republican victory. Dollar was also supported by a mild bout of risk aversion ahead of inflation report and a second day of weakness in cryptocurrencies. The Dollar Index rebounded 0.7% d/d to 110.43. The EUR was 0.6% weaker against the dollar, while the JPY was 0.5% weaker. Sterling nosedived 1.6% d/d against the dollar as investors remain on edge ahead to British finance minister Jeremy Hunt's planned fiscal statement on Nov 17. Ringgit, on the other hand, appreciated 0.9% d/d against the Dollar to close at 4.6925, ahead of the release of Malaysia's 3Q GDP tomorrow. The pair broke below the key 4.70 handle offering tentative signs of a reversal but tonight's US CPI will be key.

- Oil prices dropped following a rise in U.S. crude stockpiles as well as concerns that a jump in COVID-19 cases in China would weigh on demand. According to EIA, US crude inventories rose 3.9m barrels last week. Brent was down 2.7% d/d, while the West Texas Intermediate (WTI) fell 3.4% d/d. Gold steadied, marginally down by 0.4% d/d.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	32,513.94	-1.95
S&P 500	3,748.57	-2.08
NASDAQ	10,353.17	-2.48
Stoxx Eur 600	420.34	-0.30
FTSE 100	7,296.25	-0.14
Nikkei 225	27,716.43	-0.56
Hang Seng	16,358.52	-1.20
Straits Times	3,165.50	0.63
KLCI 30	1,446.19	0.34
FX		
Dollar Index	110.43	0.74
EUR/USD	1.0011	-0.63
GBP/USD	1.1358	-1.61
USD/JPY	146.47	0.54
AUD/USD	0.6431	-1.17
USD/CNH	7.2741	0.61
USD/MYR	4.6925	-0.91
USD/SGD	1.4028	0.29
Commodities		
WTI ($/bbl)	85.64	-3.42
Brent ($/bbl)	92.47	-2.71
Gold ($/oz)	1,709.70	-0.36
Copper ($$/MT)	8,081.00	0.34
Aluminum($/MT)	2,308.00	-1.58
CPO (RM/tonne)	4,180.00	-0.77

Source: Bloomberg, HLBB Global Markets Research

US mortgage applications decreased 0.1% w/w, purchase applications increased for the first time in 6 weeks

- Mortgage applications decreased 0.1% w/w for the week ending Nov 4. Purchase applications increased for the first time (+1.0% w/w) after six weeks of declines but remained close to 2015 lows, as homebuyers remained sidelined by higher rates and ongoing economic uncertainty. Refinances continued to fall, with the index hitting its lowest level since August 2000. Refinances decreased 4.0% w/w and was 87.0% lower y/y. Mortgage rates edged higher last week following news that the Federal Reserve will continue raising rates to combat high inflation. The 30-year fixed rate remained above 7.0% for the third consecutive week.
- US wholesale inventories increased less than initially thought in September amid decreases in stocks of petroleum and computer equipment. This also suggests that businesses were carefully managing their inventory amid slowing demand. The Commerce Department reported that wholesale inventories rose 0.6% m/m instead of 0.8% m/m as reported last month (August: +1.4% m/m). On a y/y basis, wholesale inventories increased 24.1% despite petroleum stocks falling 3.8%, while those of computers and electronic products slipped 0.5%. Wholesale motor vehicle inventories accelerated to +1.8% y/y. Sales at wholesalers picked up 0.4% m/m in September after being unchanged in August. At September's sales pace it would take wholesalers 1.31 months to clear shelves, unchanged from August.

China inflation eased to 2.1% y/y, producer prices fell for the first time

- China's consumer inflation (CPI) eased in October, while producer prices fell into deflation for the first time in nearly two years. CPI rose by 2.1% y/y, slowing from +2.8% y/y in September. This was below expectations, with CPI having been expected to increase by 2.4% y/y and below inflation target of around 3.0%. Producer price inflation (PPI) retreated into negative territory, contracting 1.3% y/y (consensus: -1.5% y/y), down from +0.9% y/y in September. According to chief NBS statistician Dong Lijuan, prices were affected by the fall in consumer demand after the National Day holiday at the start of October and the higher base of comparison in the same period last year.

Japan current account surplus widened

- For the month of September, Japan's current account surplus widened to ¥909.3bn from ¥694.2bn the prior month. The larger surplus was primarily due to narrower goods and services deficit of ¥2.1 trillion (August: -¥3.1 trillion), which more than offset the narrower primary income surplus (¥3.2 trillion vs ¥4.0 trillion in August) and wider deficit in secondary income (-¥21.4bn vs -¥161.7bn in August).
- Eco Watcher survey, on the other hand, unexpectedly fell to 46.4 in October from 49.2 previously. Consensus had anticipated the index to tick up to 50.1. The decline was primarily due to worsening expectation amongst households (-3.3 vs +0.9) as well as employment which fell further by 5 points (September: -2.4 points).

House View and Forecasts

FX	This Week	4Q-22	1Q-23	2Q-23	3Q-23
DXY	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	4.68-4.75	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
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 Real Avg Hourly Earning YoY (Oct)	-3.00%
	US Initial Jobless Claims	217k
	US Continuing Claims	1485k
11-Nov	NZ BusinessNZ Manufacturing PMI (Oct)	52
	NZ Food Prices MoM (Oct)	0.40%
	JN PPI MoM (Oct)	0.70%
	MA BoP Current Account Balance MYR (3Q)	4.4b
	MA GDP YoY (3Q)	8.90%
	UK Monthly GDP (MoM) (Sep)	-0.30%
	UK GDP YoY (3Q P)	4.40%
	HK GDP YoY (3Q F)	-4.50%
	US U. of Mich. Sentiment (Nov P)	59.9

Source: Bloomberg

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