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Global Markets Research

Daily Market Highlights

11-Feb: Stocks, bonds sold off on high US inflation

US CPI rate surged to a 40-year high of 7.5% in January

Yield on 2-year UST notes jumped 21bps

The greenback recorded mixed performances

- US equities and bonds sold off overnight in reaction to the steep US inflation rate (+7.5%) that raises the possibility of an aggressive Federal Reserve rate hike in March, if not an intermeeting hike. NASDAQ was the worst performer among the US main indexes, losing 2.1%. The Dow Jones fell 1.5% while the S&P shed 1.8% as shares of all eleven sectors plummeted.
- The heavy selloff in US bonds pushed up the yield on the 2Y treasury notes by a massive 21.4bps to 1.58%, marking its sharpest one-day rise since June 2009. The 10Y UST yield breached 2.00% for the first time since July 2019, closing 7.8bps higher at 2.03%. Traders now priced in nearly 100% chance of an additional 25bps hike on 16 March i.e., a total adjustment of 50bps in the fed funds rate. St. Louis Fed President James Bullard, one of the FOMC voting members, said he is in favour of a full percentage point (100bps) hike by 1 July.
- The broad dollar recorded mixed performances against G10 currencies. EUR/USD went as high as 1.1495 but pared gains to close little changed; GBP strengthened while Swedish krona, SEK dipped 2.0% versus the USD after the Riksbank refrained from hawkish tilts. The dollar index was little changed (+0.06%).
- USD/MYR traded on a muted note for the third consecutive session on Thursday, ending nearly unchanged (-0.01%) at 4.1830. Unimpressive USD movements (despite the 800pips knee jerk swing post US CPI) overnight suggests that the pair may see sideways trading ahead of today's Malaysia GDP report (due 12pm).
- Gold futures were flat (+0.05%) at \$1836.20/oz. Crude oil benchmarks recorded mixed performances with Brent crude slipping 0.2% to \$91.41/barrel and WTI adding 0.3% to \$89.88/barrel.

US inflation surged to 40-year high; initial jobless claims fell:

- The all-important headline CPI rate came in at 7.5% y/y for January, versus the Bloomberg consensus forecast of 7.3%; this followed the 7.0% increase in December and was the index's sharpest climb in 40 years. This was driven by the sharp increase in prices of all categories of goods and services, where notably, gasoline prices were seen 40% higher compared to the same month last year. The stronger US consumption alongside supply chain pressures continued to drive up prices, putting pressure on the Fed to embark on an aggressive tightening next month. Stripping out food and energy, the core CPI rate accelerated to 6.0% y/y (Dec: +5.5%), also a 40-year high. On a m/m basis, both the headline and core CPI rates held steadily at 0.6%.
- In a separate release, the initial jobless claims fell 16k to 223k in the week ending 5 Feb (prior: 239k). This marked its third consecutive weekly decline, coinciding

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	35,241.59	-1.47
S&P 500	4,504.08	-1.81
NASDAQ	14,185.64	-2.10
Stoxx 600	472.35	-0.21
FTSE 100	7,672.40	0.38
Nikkei 225	27,696.08	0.42
Hang Seng	24,924.35	0.38
Straits Times	3,428.00	0.23
KLCI 30	1,570.10	1.20
FX		
Dollar Index	95.55	0.06
EUR/USD	1.1428	0.03
GBP/USD	1.3557	0.16
USD/JPY	116.01	0.42
AUD/USD	0.7167	-0.17
USD/CNH	6.3636	0.01
USD/MYR	4.1830	-0.01
USD/SGD	1.3447	0.22
Commodities		
WTI (\$/bbl)	89.88	0.25
Brent (\$/bbl)	91.41	-0.15
Gold (\$/oz)	1,836.20	0.05

Source: Bloomberg, HLBB Global Markets Research

with the fall in Covid-19 cases recently which confirms that the labour market remained on a strong footing.

New Zealand's factory activity softened; retail card spending rose:

- The BusinessNZ Manufacturing PMI slipped to 52.1 in January, from 53.8 in December, indicating softer expansion in factory activity. Four of the five sub-indicators declined, with employment slumping below 50.0.
- New Zealand's retail card spending jumped 3.0% m/m in January (Dec: +0.3%) and returned to levels seen before lockdown in August as consumers spent more on durable goods (+3.3%) such as furniture, electrical goods and hardware. This was followed by the 2.7% increase in fuel, happening concurrently with the rise in fuel prices.

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
11/02	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)	67.2
14/02	NZ Performance Services Index (Jan)	49.7

Source: Bloomberg

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