

11 May 2022

Global Markets Research

Daily Market Highlights

11-May: USD strength dominated market

S&P 500 and NASDAQ rebounded from recent losses

10Y UST yield slipped below 3.00%; USD regained shine

Crude oil slumped further, leaving WTI below \$100/barrel

- US equities ended on a mixed note overnight ahead of the US CPI reading as the Dow Jones fell for the fourth consecutive session by 0.3% while the broader S&P 500 (+0.3%) and tech-focus NASDAQ (+1.0%) closed higher. Earlier, European shares rebounded, snapping a four-day losing streak as the STOXX Europe 600 picked up 0.7%. Asian markets registered mixed performances in general- Nikkei 225 and Hang Seng shed 0.6% and 1.8% respectively.
- Treasuries rose further on Tuesday, pressuring yields across the curve except on the short end. The yield on the 2Y UST notes rose 1bp to 2.61% while the 10Y UST yield retreated below 3.00% to 2.99% (-5bps).
- The greenback regained grounds in the FX market as it strengthened against all G10 currencies except the Swedish krona (SEK). The Dollar Index gained 0.3% to 103.92 after two flattish sessions.
- USD/MYR closed little changed on Tuesday at 4.3830 (-0.04%). 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. Today's BNM OPR decision and 1Q GDP on 13 May are expected to keep investors on toes. We expect no change in the OPR although markets are turning split on the decision.
- Oil continued its pullback, shedding over 3.0% amid risk aversion and the murkier growth outlook. Brent crude fell to \$102.46/barrel while WTI slipped below \$100 to \$99.76/barrel. Gold futures extended decline (-1.0%) to \$1841/oz amid a strong USD environment.

US NFIB small business sentiments held steady:

- The NFIB Small Business Optimism Index was unchanged at 93.2 in April (Mar: 93.2), indicating that small business sentiment steadied at its lowest level since April 2020 after falling for three months in a row. Majority of business owners (70%) still reported higher selling prices while 50% of them also did not expect a better economy ahead, a sign of weak confidence level. Worker shortage remained a persistent struggle as 47% reported inability to fill vacant positions.

German investors turned less pessimistic:

- The German investor sentiment showed some improvement in the month of May as reflected in the less negative readings of the ZEW investor survey. The overall expectations index for the European outlook rose to -29.5 in May, up from -43.0 in April while the same reading for Germany's outlook picked up to -34.3 (Apr: -41.0). Despite the ongoing Ukraine-Russia war that threatens the supply of energy to European countries, ZEW President Achim Wambach said that German investors turned slightly less pessimistic this month.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	32,160.74	-0.26
S&P 500	4,001.05	0.25
NASDAQ	11,737.67	0.98
Stoxx 600	420.29	0.68
FTSE 100	7,243.22	0.37
Nikkei 225	26,167.10	-0.58
Hang Seng	19,633.69	-1.84
Straits Times	3,234.19	-1.25
KLCI 30	1,554.58	0.35
FX		
Dollar Index	103.92	0.26
EUR/USD	1.0529	-0.30
GBP/USD	1.2316	-0.13
USD/JPY	130.45	0.12
AUD/USD	0.6938	-0.20
USD/CNH	6.7477	-0.13
USD/MYR	4.3830	-0.04
USD/SGD	1.3908	0.01
Commodities		
WTI (\$/bbl)	99.76	-3.23
Brent (\$/bbl)	102.46	-3.28
Gold (\$/oz)	1,841.00	-0.95

Source: Bloomberg, HLBB Global Markets Research

Australia's business conditions improved in April:

- The NAB Business Confidence slipped to 10 in April, from 16 in March. However, the conditions index rose to a 10-month high of 20 (Mar: 15) led by the improvement in trading conditions and profitability.
- Retail sales rose 1.2% q/q in the first quarter, following the 7.9% q/q increase in the previous quarter in 2021. The softer reading reflects the impact of the Omicron outbreak in January.

New Zealand's card spending increased further in April:

- New Zealand's electronic card spending rose 7.0% m/m in April, extending from the 1.7% m/m increase in March as the country's Covid setting shifted to "Orange" where gathering restrictions were removed. The retail card spending also rose 7.0% m/m (Mar: -1.3%) while the core retail spending picked up 7.4% m/m (Mar: -1.4%), driven by the sharp rebound in purchases of apparels and consumables.

Malaysia's industrial reported larger IPI growth in March:

- The Industrial Production Index (IPI) grew at a faster pace for the first time in four months, by 5.1% y/y in March (Feb: +4.0%), better than both ours as well as market expectations. The quicker increase was driven by manufacturing (+6.9% vs +5.2%) and a rebound in mining (+0.3% vs -0.4%), offsetting the 0.8% y/y decline in electricity output. Modest growth in industrial production points to continued moderate expansion in the Malaysian economy. Taking cue from today's IPI number which grew at a slower pace of 4.5% y/y in 1Q22 (4Q21: +6.8%), we expect a more moderate GDP growth in the region of 2.5% y/y for 1Q, provided no surprises from the services sector. No change to our full year GDP growth forecast of 5.8% for now.

House View and Forecasts

FX	This Week	2Q-22	3Q-22	4Q-22	1Q-23
DXY	102-105	106.0	108.0	105.0	103.0
EUR/USD	1.04-1.06	1.02	1.00	1.01	1.03
GBP/USD	1.22-1.25	1.21	1.20	1.22	1.24
AUD/USD	0.70-0.72	0.69	0.68	0.69	0.70
USD/JPY	129-131	133	135	133	132
USD/MYR	4.35-4.40	4.38	4.40	4.38	4.35
USD/SGD	1.38-1.39	1.39	1.40	1.38	1.37

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
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)	\$114.4b
	US MBA Mortgage Applications (06 May)	2.5%
	US CPI YoY (Apr)	8.5%
12/05	NZ Food Prices MoM (Apr)	0.7%
	UK RICS House Price Balance (Apr)	74.0%
	AU Consumer Inflation Expectation (May)	5.2%
	UK Monthly GDP (MoM) (Mar)	0.1%

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UK GDP QoQ (1Q P)	1.3%
UK Industrial Production MoM (Mar)	-0.6%
UK Index of Services MoM (Mar)	0.2%
UK Visible Trade Balance GBP/Mn (Mar)	-£20594m
US PPI Final Demand YoY (Apr)	11.2%
US Initial Jobless Claims (07 May)	200k

Source: Bloomberg

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