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Global Markets Research

Daily Market Highlights

11 Nov: US stocks and bonds staged a strong rally

CPI eased more than expected to 7.7%, raising hopes that inflation has peaked

DXY tumbled by 2.2% as investors shift to riskier currencies

US treasury yields plunged by more than 20bps across the curve

- Stocks mounted their biggest rally since 2020 after October's reading of consumer prices (CPI) raised investor hopes that inflation has peaked. The Dow Jones Industrial Average jumped 3.7% d/d, the S&P 500 surged 5.5% d/d while the Nasdaq Composite surged 7.4% d/d. Tech stocks were the winners, led by gains in Amazon, Apple, Meta and Microsoft were each up more than 8%.

- The US Dollar, another recent pressure point for stocks, tumbled to its worst day since 2009 versus a basket of other currencies. The U.S. dollar index also slid 2.1% d/d, as investors stayed away from the safe-haven greenback towards riskier assets. The U.S. currency was down as much as 3.8% against Japanese yen. Against the euro, it was off by 2.0% d/d. Sterling posted its largest 1-day gain since March 2020 against the Dollar at +3.2% d/d. The MYR weakened 0.1% d/d against the USD to 4.6978, marking its second straight day of closing below 4.70 which is reinforcing the bears in USD/MYR.

- Treasury yields plunged after the CPI report, with the 10-year Treasury yield falling 27bps to 3.81% as traders bet the Federal Reserve would slow its aggressive tightening campaign that's weighed on markets all year. The yield on the 2-year Treasury dropped 26bps to 4.32%. In public remarks after the data, Philadelphia and Dallas Fed Presidents reiterated Fed Chair Jerome Powell's comment that at some stage, it will become appropriate to slow the pace of rate increases.

- Commodities rallied along with the stock market, with Brent crude gaining 1.1% d/d, and the U.S. West Texas Intermediate followed closing 0.8% d/d up. Gold added 2.3% d/d. Gold is highly sensitive to U.S. interest rates, as these increase the opportunity cost of holding non-yielding bullion.

US consumer prices rose less than expected, weekly jobless claims up

- US consumer prices rose less than expected in October, with CPI rising 0.4%, unchanged from the previous month but below consensus' +0.6% m/m. Soaring rents accounted for more than half of the increase in the CPI. Gasoline prices rebounded after three straight monthly decreases. While food prices increased 0.6% m/m, the pace was much slower relative to prior months. The price of food consumed at home rose 0.4%, the smallest gain since December. On a y/y basis, the CPI increased 7.7% after rising 8.2% in September. It was the first time since February that the annual increase in

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	33,715.37	3.70
S&P 500	3,956.37	5.54
NASDAQ	11,114.15	7.35
Stoxx Eur 600	431.89	2.75
FTSE 100	7,375.34	1.08
Nikkei 225	27,446.10	-0.98
Hang Seng	16,081.04	-1.70
Straits Times	3,173.18	0.24
KLCI 30	1,449.74	0.25
FX		
Dollar Index	108.21	-2.12
EUR/USD	1.0209	1.98
GBP/USD	1.1716	3.15
USD/JPY	140.98	-3.75
AUD/USD	0.6619	2.92
USD/CNH	7.1521	-1.68
USD/MYR	4.6978	0.11
USD/SGD	1.3824	-1.45
Commodities		
WTI ($/bbl)	86.47	0.75
Brent ($/bbl)	93.67	1.10
Gold ($/oz)	1,753.70	2.33
Copper ($$/MT)	8,271.50	2.06
Aluminum($/MT)	2,327.00	0.34
CPO (RM/tonne)	4,140.00	-1.00

Source: Bloomberg, HLBB Global Markets Research the CPI was below 8% y/y, and the smallest gain since January after peaking at 9.1% y/y in June. The all items less food and energy index rose 6.3% y/y (September: 6.6% y/y).

- In the week ending November 5, the advance figure for seasonally adjusted initial claims was 225k, an increase of 7k from the previous week's revised level. The previous week's level was revised up by 1K to 218k. The advance seasonally adjusted insured unemployment rate was 1.0% for the week ending October 29, unchanged from the previous week's unrevised rate. Continuing claims rose 6k w/w to 1.493k from the previous week's revised level.
- Real average hourly earnings decreased 2.8% y/y in October (Sept: -3.0y/y) The change in real average hourly earnings combined with a decrease of 0.9% y/y in the average workweek (unchanged from the previous month) resulted in a 3.7% y/y decrease (Sept: -3.8% y/y) in real average weekly earnings over this period.

UK RICS house price index at -2 vs estimate 19

- RICS reported that house price balance stood at -2 in October, the lowest since June 2020. This is a sharp drop from 30 previously and street estimate's 19. The newly agreed and sales, new buyer enquiries, price as well as sales expectation balance sub-indices reported larger decline in the negative territory.

Australian beliefs about inflation significantly outpaced beliefs about future wages

- Following four months of moderation, trimmed mean inflation expectations increased significantly in November, possibly reflecting recent data on official inflation. Uncertainty about inflation also appears to have increased, with a decline in the proportion of consumers expecting higher inflation, and an increase in the proportion reporting 'don't know' for year-ahead inflation. Wage expectations continue to be weak, with beliefs about inflation significantly outpacing beliefs about future wages. The expected inflation rate rose by 0.6ppts in November to 6.0%. Total pay, meanwhile, is expected to grow by only 1.0% the next 12 months.

House View and Forecasts

FX	This Week	4Q-22	1Q-23	2Q-23	3Q-23
DXY	105-110	115.00	112.70	110.45	110.00
EUR/USD	0.99-1.04	0.95	0.97	0.98	0.98
GBP/USD	1.13-1.19	1.10	1.10	1.11	1.12
USD/JPY	140-145	147.00	146.00	145.00	144.00
AUD/USD	0.64-0.68	0.62	0.63	0.64	0.64
USD/MYR	4.67-4.74	4.68	4.64	4.62	4.60
USD/SGD	1.38-1.40	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
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
14-Nov	NZ Performance Services Index (Oct)	55.8
	UK Rightmove House Prices MoM (Nov)	0.90%
	EC Industrial Production SA MoM (Sep)	1.50%

Source: Bloomberg

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