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Global Markets Research

Daily Market Highlights

12-Apr: Concerns over Chinese growth deepened

Global equities, oil prices plummeted on China's growth concern

Greenback broadly strengthened alongside higher UST yields ahead of US CPI

UK output indicators showed dimmer outlook

- US stocks slumped on Monday, tracking the decline in the global markets as the city-wide lockdown in Shanghai as well as some localized lockdown in Guangzhou could aggravate the global supply chain bottlenecks and weigh on growth outlook. The Dow Jones dropped 1.2% while the S&P 500 fell 1.7% as investors dumped energy and tech shares the most amid a broad-based sectoral decline. NASDAQ lost 2.2%, extending from last week's selloff.
- Oil plunged over 4.0% in a single session as the outlook for Chinese demand weakened. Brent crude settled below \$100/barrel for the first time since mid-March at \$98.48/barrel while WTI fell to \$94.29/barrel.
- Longer tenure yields rose further to start the week and the yield curve steepened as the market anticipated the impending policy tightening by the Federal Reserve ahead of today's US CPI reading. The benchmark 10Y UST yield rose 8bps to 2.78%, its highest level since Jan-2019 while the yield on the 2Y notes slipped to 2.5% (-1.4bps).
- The dollar gathered strength for the eighth consecutive session, supported by higher yields. The dollar index closed 0.1% higher at 99.93. The greenback strengthened against most G10 and nearly all Asian currencies. CHF emerged as the top gainer (+0.4%) in the G10 basket, followed by the marginal rise (less than 0.1%) in EUR, DKK and GBP.
- The EUR was supported by French President's Emmanuel Macron's lead over his nationalist rival Marine Le Pen during the first round of the French presidential elections. The Norwegian Krone (NOK) tanked 1.3% after Norway's core CPI came in weaker than the consensus estimates, thus easing the Norges Bank rate hike expectations. JPY fell 0.8% to 125.37 vs the USD on Fed-BOJ policy divergence.
- USD/MYR rose for the fourth consecutive session (+0.2%) to 4.2310 on Monday as the ringgit weakened alongside its Asian counterparts against the dollar. The overnight USD strength is expected to spill over into today's Asian session, putting an upside risk to our weekly range of 4.20-4.23, with next resistance at 4.2375.

UK indicators showed weakening growth momentum:

- The latest set of output indicators support the case of a dimmer UK growth outlook heading into the second quarter. The UK nominal GDP growth slowed to 0.1% m/m in February (Jan: +0.8%), reflecting the drop in construction (-0.1% m/m) and manufacturing output (-0.4% m/m) which partially offset the modest gain in services output (+0.2% m/m) that was tourism-driven. Notably, within the services sector, the winding down of the UK vaccination as well as the NHS Test & Trace programmes contributed negatively to the human health and social work activity.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	34,308.08	-1.19
S&P 500	4,412.53	-1.69
NASDAQ	13,411.96	-2.18
Stoxx 600	458.26	-0.59
FTSE 100	7,618.31	-0.67
Nikkei 225	26,821.52	-0.61
Hang Seng	21,208.30	-3.03
Straits Times	3,363.56	-0.58
KLCI 30	1,604.61	-0.17
FX		
Dollar Index	99.93	0.14
EUR/USD	1.0884	0.06
GBP/USD	1.3030	0.04
USD/JPY	125.37	0.83
AUD/USD	0.7417	-0.55
USD/CNH	6.3884	0.29
USD/MYR	4.2310	0.24
USD/SGD	1.3651	0.11
Commodities		
WTI (\$/bbl)	94.29	-4.04
Brent (\$/bbl)	98.48	-4.18
Gold (\$/oz)	1,944.30	0.14

Source: Bloomberg, HLBB Global Markets Research

- Industrial production went down by 0.6% m/m (Jan: +0.7%). The visible trade deficit narrowed to £20.6b in the same month, from £23.9b prior thanks to the 7.8% m/m rise in exports and the 2.5% m/m fall in imports of goods.

China's inflation heated up in March:

- China's inflation readings came in stronger than expected in March, spurring renewed concerns that the higher price pressure may dampen growth outlook. CPI inflation surged to 1.5% y/y in March, versus forecast of 1.4% y/y and up sharply from the 0.9% y/y in February, driven by the 17.2% y/y jump in prices of vegetables and 24.1% y/y rise in prices of transportation fuel.
- PPI inflation eased to 8.3% y/y, from 8.8% y/y prior but was higher than the consensus forecast of 8.1% y/y. The higher prices reflect the impact of higher global commodity prices and the localised lockdowns in China that aggravated the supply chain constraints.

Japan's machinery tool orders picked up in March:

- Japan's machinery tool orders rose 19.8% m/m in March (Feb: -2.7%), as both foreign and domestic orders turned higher following the loosening of Covid restrictions. On a y/y basis, total orders were 30.2% higher (Feb: +31.6%).

Malaysia's IPI growth weakened in February:

- Industrial production growth tapered off to 3.9% y/y in February, from 4.3% y/y prior, marking its weakest reading in five months due to the softer manufacturing and electricity output growths and the continued contraction in mining.
- In a separate release, wholesale & retail sales growth strengthened a 2nd straight month to 8.5% y/y in February (Jan: +7.7%), driven by the larger growth in wholesale and retail sectors while the motor vehicles recorded slower growth.

House View and Forecasts

FX	This Week	2Q-22	3Q-22	4Q-22	1Q-21
DX	99-101	98.5	99.0	98.0	97.5
EUR/USD	1.08-1.10	1.10	1.09	1.10	1.12
GBP/USD	1.30-1.32	1.29	1.28	1.30	1.31
AUD/USD	0.74-0.76	0.76	0.77	0.76	0.76
USD/JPY	120-125	121	120	120	120
USD/MYR	4.20-4.23	4.20	4.18	4.16	4.16
USD/SGD	1.35-1.37	1.36	1.35	1.34	1.33

Rates, %	Current	2Q-22	3Q-22	4Q-22	1Q-21
Fed	0.25-0.50	1.25-1.50	1.75-2.00	2.00-2.25	2.00-2.25
ECB	-0.50	-0.50	-0.50	-0.25	-0.25
BOE	0.75	1.25	1.25	1.25	1.25
RBA	0.10	0.10	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
12/04	AU NAB Business Confidence (Mar)	13.0
	UK Payrolled Employees Monthly Change (Mar)	275k
	UK Jobless Claims Change (Mar)	-48.1k
	UK Average Weekly Earnings 3M/YoY (Feb)	4.8%
	UK ILO Unemployment Rate 3Mths (Feb)	3.9%
	UK Employment Change 3M/3M (Feb)	-12k
	EZ ZEW Survey Expectations (Apr)	-38.7
	US NFIB Small Business Optimism (Mar)	95.7
	US CPI YoY (Mar)	7.9%
13/04	NZ Food Prices MoM (Mar)	-0.1%

JP Core Machine Orders MoM (Feb)	-2.0%
AU Westpac Consumer Conf SA MoM (Apr)	-4.2%
NZ RBNZ Official Cash Rate (13 Apr)	1.0%
UK CPI YoY (Mar)	6.2%
EZ Industrial Production SA MoM (Feb)	0.0%
US MBA Mortgage Applications (08 Apr)	-6.3%
US PPI Final Demand YoY (Mar)	10.0%
CN Exports YoY (Mar)	20.9%

Source: Bloomberg

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