

12 July 2022

Global Markets Research

Daily Market Highlights

12-July: Risk aversion boosted US dollar & bonds

Wall Street stocks tracked losses in European shares ahead of CPI, earnings
Haven bidding pushed dollar index to 108 handle; UST yields tumbled
EUR on the verge of parity against USD; AUD worst performing G10 currency

- US stocks tracked the losses in European shares ahead of key CPI readings and the second quarter corporate earnings season. The Dow Jones fell 0.5%, the S&P 500 lost 1.2% and NASDAQ plummeted 2.3%. Tech stocks were weighed down by the selloff in Twitter (-11.3%) as Elon Musk abandoned his \$44b deal to purchase the social media company. STOXX Europe 600 closed 0.5% lower while Asian benchmarks registered mixed performances; Nikkei 225 rose 1.1% whereas Hang Seng slipped 2.8% as China attempted to curb Covid-19 resurgence.
- China has discovered a new subvariant of the Omicron strain and more cities are moving to impose some kind of restrictions to stop the spread of the virus. Macau shut all its casinos over the weekend to contain its worst outbreak.
- US treasury yields fell on Monday as traders considered the strong US job data released last Friday while bracing for the CPI data. The yield on the benchmark 2Y UST dropped 3bps to 3.08% while the 10Y shed 9bps to just a tad below 3.00%. Global yields slumped as recession worries generally prompted haven buying.
- The flight to safe assets boosted the US dollar, resulting in the nearly 1.0% jump in the dollar index to 108.02. In the G10 basket, eight currencies lost 1.0% and above - AUD was the worst performing currency (-1.9%) as China's Covid news pressured the AUD/USD pair to a new two-year low. EUR suffered a huge blow (-1.4%) and is on the verge of hitting parity against the dollar amid mounting recession fear. CAD fell the least (-0.5%) as the Bank of Canada is expected to step up its rate hike pace by delivering a 75bp adjustment in its benchmark rate.
- All Asian currencies depreciated against the US dollar except the IDR which was little changed and MYR which was not traded on a holiday. Offshore RMB lost 0.6% while THB and SGD fell 0.4-0.5%. MYR closed on a flat note (+0.03%) against the USD at 4.4260 last Friday.
- Oil benchmarks were mixed as traders mulled China's Covid headlines. Brent crude settled little changed (+0.07%) at \$107.10/barrel and WTI fell 0.7% to \$104.09/barrel.

Japan's core machinery orders fell in May after strong April:

- Japan's core machinery tool orders (a gauge of business capex) fell 5.6% m/m in May, after a strong 10.8% growth in April. Orders were 7.4% higher compared to a year ago (Apr: +19.0%).

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	31,173.84	-0.52
S&P 500	3,854.43	-1.15
NASDAQ	11,372.60	-2.26
Stoxx Eur 600	415.02	-0.50
FTSE 100	7,196.59	0.00
Nikkei 225	26,812.30	1.11
Hang Seng	21,124.20	-2.77
Straits Times*	3,131.26	0.06
KLCI 30*	1,425.79	0.50
FX		
Dollar Index	108.02	0.95
EUR/USD	1.0040	-1.42
GBP/USD	1.1892	-1.17
USD/JPY	137.44	0.98
AUD/USD	0.6733	-1.81
USD/CNH	6.7259	0.59
USD/MYR*	4.4260	0.03
USD/SGD	1.4060	0.51
Commodities		
WTI (\$/bbl)	104.09	-0.67
Brent (\$/bbl)	107.10	0.07
Gold (\$/oz)	1,731.70	-0.61
Copper (\$\$/MT)	7,584.50	-2.83
Aluminum (\$/MT)	2,379.50	-2.34
CPO (RM/tonne)**	4,088.50	3.94

*Closing for 08 July 2022

** Closing for 07 July 2022

Source: Bloomberg, HLBB Global Markets Research

- The separately released machinery tool orders picked up 0.9% m/m in May (Apr: -1.1%), supported by the 18.5% jump in local orders after two months of decline. This translates to a 17.1% y/y increase in headline orders (Apr: +23.7%).

House View and Forecasts

FX	This Week	3Q-22	4Q-22	1Q-23	2Q-23
DXY	106-108	106.00	105.00	103.00	102.00
EUR/USD	1.00-1.03	1.02	1.03	1.05	1.04
GBP/USD	1.18-1.21	1.21	1.22	1.24	1.23
AUD/USD	0.67-0.69	0.67	0.69	0.70	0.70
USD/JPY	134-137	138.00	135.00	133.00	132.00
USD/MYR	4.41-4.45	4.42	4.40	4.38	4.35
USD/SGD	1.39-1.41	1.40	1.38	1.37	1.36

Rates, %	Current	3Q-22	4Q-22	1Q-23	2Q-23
Fed	1.50-1.75	2.50-2.75	3.00-3.25	3.00-3.25	3.00-3.25
ECB	-0.50	0.25	0.50	0.50	0.50
BOE	1.25	1.75	2.00	2.00	2.00
RBA	1.35	1.60	1.85	1.85	1.85
BOJ	-0.10	-0.10	-0.10	-0.10	-0.10
BNM	2.25	2.50	2.75	2.75	2.75

Up Next

Date	Events	Prior
12/07	AU NAB Business Confidence (Jun)	6.0
	EZ ZEW Survey Expectations (Jul)	-28.0
	US NFIB Small Business Optimism (Jun)	93.1
13/07	AU Westpac Consumer Conf SA MoM (Jul)	-4.5%
	NZ RBNZ Official Cash Rate (13 Jul)	2.0%
	CN Exports YoY (Jun)	16.9%
	CN Imports YoY (Jun)	4.1%
	UK Monthly GDP (MoM) (May)	-0.3%
	UK Industrial Production MoM (May)	-0.6%
	UK Index of Services MoM (May)	-0.3%
	UK Visible Trade Balance GBP/Mn (May)	-£20893m
	EZ Industrial Production SA MoM (May)	0.4%
	US MBA Mortgage Applications (08 Jul)	-5.4%
	US CPI YoY (Jun)	8.6%

Source: Bloomberg

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