12 September 2022

Global Markets Research

Daily Market Highlights

12 Sep: Extended gain in equities led by tech shares

Global equities advanced; sovereign bonds traded mixed

DXY broadly retreated as markets weighed the Fed's next move

US CPI and BOE policy meet in focus this week

- Global equities ended with positive gains, amid spillover effects from hawkish central banks' policy guidance implying that the global policy tightening cycle is far from over. The Dow rose for the 3rd straight day clinching a 1.2% gain while the broader S&P 500 rose 1.5% last Friday, leading to a 2.7% and 3.7% respective gain on the week. Technology shares led the advances, leaving the tech-heavy NASDAQ higher by 2.1% on Friday. European and Asian shares also climbed higher last Friday but futures pointed to mixed openings in Asia this morning.

- Global bond yields however traded mixed. Shorter tenor UST fell pushing yields up between 1-5bps up to the 5Y whilst the 7Y-30Y saw modest gains with yields lower by 0-3bps, inverting the curve in the 5-10Y sector. Benchmark 2Y UST yields jumped the most, by 5bps to 3.56% while the 10s shed 1bps to 3.31%.

- The Dollar Index retreated, but managed to bounce back up from an intraday low of 108.36 in European trading and traded just shy of the 109 handle through the American session. The DXY lost 0.6% d/d to 108.97 on Friday, and was also down by the same quantum w/w, its first weekly decline in four weeks. All majors strengthened the greenback on Friday led by the AUD (+1.3%) while the EUR and GBP gained 0.5% and 0.7% respectively. On a weekly basis, the USD weakened against all G10s save for the JPY (+1.6%), with the Nordic currencies leading the advance.

- Major Asian currencies continued trading in positive note amid renewed weaknesses in the USD, with more notable gains in PHP (+0.5%), IDR (+0.5%), CNY (+0.5%), and SGD (+0.4%). The MYR clocked in a 0.1% advance against the USD at 4.4980 on Friday, back below the 4.50 handle for the first time in two days. USD/ MYR is expected to continue hovering at familiar ranges of 4.48-4.50 with potential to test new highs.

- Oil rally gained traction amid a retreat in the USD and rally in stocks. Brent crude spiked 4.3% d/d to $92.42/ barrel while the WTI rose 4.1% to $86.10/ barrel. This helped narrow last week's losses to 0.9% (Brent) and 1.3% (WTI) as demand risks dampened oil price outlook.

Surprised pullback in China inflation as lockdown sapped demand:

- CPI unexpectedly softened to 2.5% y/y in August (Jul: +2.7%), contrary to expectation for a pick-up to 2.8% while PPI also tapered off drastically to

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	32,151.71	1.19
S&P 500	4,067.36	1.53
NASDAQ	12,112.31	2.11
Stoxx Eur 600	420.37	1.52
FTSE 100	7,351.07	1.23
Nikkei 225	28,214.75	0.53
Hang Seng	19,362.25	2.69
Straits Times	3,262.95	0.91
KLCI 30	1,496.53	0.12
FX		
Dollar Index	108.97	-0.61
EUR/USD	1.0042	0.45
GBP/USD	1.1589	0.74
USD/JPY	142.47	-1.14
AUD/USD	0.6841	1.33
USD/CNH	6.9377	-0.34
USD/MYR	4.4978	-0.09
USD/SGD	1.3995	-0.40
Commodities		
WTI ($/bbl)	86.10	4.07
Brent ($/bbl)	92.42	4.30
Gold ($/oz)	1,718.30	0.49
Copper ($$/MT)	7,868.50	0.24
Aluminum($/MT)	2,289.00	0.53
CPO (RM/tonne)	3,663.00	-0.48

Source: Bloomberg, HLBB Global Markets Research

2.3% y/y in the said month, from +4.2% in July and below the 3.2% consensus estimate., its slowest since Feb-21.

- Softer gain in consumer prices was due to smaller increase in consumer goods prices, both food and non-food, a sign of broad easing in inflationary pressure but we caution against reading too much into a single datapoint, in addition to distortion from Covid lockdown. In any case, easier inflation shall offer more rooms for looser monetary policy and stimulus to help support growth.

Malaysia industrial production growth quickened in July:

- Industrial Production Index (IPI) expanded at a slightly faster pace of 12.5% y/y in July (Jun: +12.1% y/y). The faster growth was driven by manufacturing (+14.9% vs +14.5%), and mining (+3.2% vs +2.1%) as well as slower growth in electricity (+13.2% vs +14.1%). Within the manufacturing sector, the improvement was broad-based across both export- as well as domestic-oriented sectors, pointing to intact recovery in the Malaysian economy.

House View and Forecasts

FX	This Week	3Q-22	4Q-22	1Q-23	2Q-23
DXY	108-112	106.00	105.00	103.00	102.00
EUR/USD	0.98-1.00	1.02	1.03	1.05	1.04
GBP/USD	1.14-1.17	1.21	1.22	1.24	1.23
USD/JPY	140-145	138.00	135.00	133.00	132.00
AUD/USD	0.66-0.69	0.67	0.69	0.70	0.70
USD/MYR	4.48-4.52	4.42	4.40	4.38	4.35
USD/SGD	1.40-1.42	1.40	1.38	1.37	1.36

Rates, %	Current	3Q-22	4Q-22	1Q-23	2Q-23
Fed	2.25-2.50	2.75-3.00	3.25-3.50	3.25-3.50	3.25-3.50
ECB	-0.50	0.75	1.75	2.25	2.75
BOE	1.75	2.25	3.25	3.25	3.25
BOJ	-0.10	-0.10	-0.10	-0.10	-0.10
RBA	1.85	2.35	3.10	3.10	3.10
BNM	2.25	2.50	2.50	2.50	2.50

Source: HLBB Global Markets Research

Up Next

Date	Events	Prior
12/09	UK Monthly GDP (MoM) (Jul)	-0.6%
	UK Industrial Production MoM (Jul)	-0.9%
	UK Index of Services MoM (Jul)	-0.5%
	UK Visible Trade Balance GBP/Mn (Jul)	-£22847m
13/09	JP BSI Large Manufacturing QoQ (3Q)	-9.9
	AU Westpac Consumer Conf Index (Sep)	81.2
	AU NAB Business Confidence (Aug)	7.0
	UK Average Weekly Earnings 3M/YoY (Jul)	5.1%
	UK ILO Unemployment Rate 3Mths (Jul)	3.8%
	UK Employment Change 3M/3M (Jul)	160k
	EZ ZEW Survey Expectations (Sep)	-54.9
	US NFIB Small Business Optimism (Aug)	89.9
	US CPI YoY (Aug)	8.5%

Source: Bloomberg

Hong Leong Bank Berhad
Fixed Income & Economic Research, Global Markets
Level 8, Hong Leong Tower
6, Jalan Damanlela
Bukit Damansara
50490 Kuala Lumpur
Tel: 603-2081 1221
Fax: 603-2081 8936
HLMarkets@hlbb.hongleong.com.my

DISCLAIMER

This report is for information purposes only and does not take into account the investment objectives, financial situation or particular needs of any particular recipient. The information contained herein does not constitute the provision of investment advice and is not intended as an offer or solicitation with respect to the purchase or sale of any of the financial instruments mentioned in this report and will not form the basis or a part of any contract or commitment whatsoever.

The information contained in this publication is derived from data obtained from sources believed by Hong Leong Bank Berhad ("HLBB") to be reliable and in good faith, but no warranties or guarantees, representations are made by HLBB with regard to the accuracy, completeness or suitability of the data. Any opinions expressed reflect the current judgment of the authors of the report and do not necessarily represent the opinion of HLBB or any of the companies within the Hong Leong Bank Group ("HLB Group"). The opinions reflected herein may change without notice and the opinions do not necessarily correspond to the opinions of HLBB. HLBB does not have an obligation to amend, modify or update this report or to otherwise notify a reader or recipient thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

HLB Group, their directors, employees and representatives do not have any responsibility or liability to any person or recipient (whether by reason of negligence, negligent misstatement or otherwise) arising from any statement, opinion or information, expressed or implied, arising out of, contained in or derived from or omission from the reports or matter.

Potential and actual conflict of interest may arise from the activities of HLB Group. HLB Group constitute a diversified financial services group. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, hedging transactions and other activities for their own account or the account of others. In the ordinary course of their business, HLB Group may effect transactions for their own account or for the account of their customers and hold long or short positions in the financial instruments. HLB Group, in connection with its business activities, may possess or acquire material information about the financial instruments. Such activities and information may involve or have an effect on the financial instruments. HLB Group have no obligation to disclose such information about the financial instruments or their activities.

The past performance of financial instruments is not indicative of future results. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Any projections or forecasts mentioned in this report may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information. No assurance can be given that any opinion described herein would yield favourable investment results. Recipients who are not market professional or institutional investor customer of HLBB should seek the advice of their independent financial advisor prior to taking any investment decision based on the recommendations in this report.

HLBB may provide hyperlinks to websites of entities mentioned in this report, however the inclusion of a link does not imply that HLBB endorses, recommends or approves any material on the linked page or accessible from it. Such linked websites are accessed entirely at your own risk. HLBB does not accept responsibility whatsoever for any such material, nor for consequences of its use.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. This report is for the use of the addressees only and may not be redistributed, reproduced or passed on to any other person or published, in part or in whole, for any purpose, without the prior, written consent of HLBB. The manner of distributing this report may be restricted by law or regulation in certain countries. Persons into whose possession this report may come are required to inform themselves about and to observe such restrictions. By accepting this report, a recipient hereof agrees to be bound by the foregoing limitations.