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Global Markets Research

Daily Market Highlights

12 Oct: BOE Governor Bailey's comments shook markets

Stocks ended largely in the red; UST yields saw extended increases

US' exports curb continued rattling tech-related stocks in Asia and the US

IMF cut 2023 world growth outlook by 0.2ppt to 2.7%

- US stocks fell, reversing gains from earlier in the day as investors looked ahead to key inflation data out later in the week. The broader S&P 500 slipped 0.9% d/d while the Nasdaq Composite fell 1.1% d/d, its lowest close since July 2020 as Meta Platforms dropped with other big tech names sensitive to rising rates. The Dow Jones Industrial Average however edged up marginally by 0.1% d/d, bolstered by jumps in Amgen and Walgreens Boots Alliance. Stocks fell off highs of the day and UST yields ticked up when the Bank of England said that its market intervention will be over soon and that pension funds have just three days to rebalance positions. Both Stoxx Eur 600 and FTSE 100 also fell 0.6% d/d and 1.1% d/d respectively.

- In Asia Pacific, chip stocks continued to tumble on Tuesday with US-China tech race reportedly wiping out US$240bn from the sector's global value. Taiwan Semiconductor continued to fall while Samsung Electronics and Tokyo Electron also declined. Nikkei fell 2.6% d/d while Hang Seng fell 2.2% d/d.

- BOE Governor Andrew Bailey's comments on the UK gilts also rattled the US treasury market. The US yield ended mixed, with longer maturities ended cheaper. While yields on 2-year Treasuries was little changed at 4.31%, both the yields for the 10 year and 30-year bonds surged by 7bps and 8bps to 3.95% and 3.92% respectively. In the UK, the 10-year note yield fell 3bps to 4.43%.

- The Dollar Index held steady 113.25 (+0.1% d/d) despite the 0.1% advance in the EUR/ USD amidst cross-related demand as the GBP depreciated 0.8% d/d on the back of BOE Governor Bailey's comments as well as amidst calls on the government to slash spending plans. In Asia, the sell-off in the tech stocks also spread to the currency market with Korean won leading the decline at -0.6% d/d. Bearish bets on the yuan also gained momentum on Biden administration curb, sending the yuan pass the key 7.20 level per dollar in intraday trading. Ringgit meanwhile, weakened by 0.5% d/d to 4.6733 against the USD amidst political uncertainty, amongst one of the worst performers in the region as KLCI fell nearly 20 points or 1.4% d/d.

- Bailey's comments also shook the commodities market. The Brent and WTI fell by nearly 3.0% each to close at US$93.62/barrel and US$88.51/barrel respectively. Oil also slumped as fears of economic slowdown overshadowed the threats of tighter crude supplies. Earlier, JP Morgan Chase CEO Jamie Dimon said that the US and global economies are likely to

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	29,239.19	0.12
S&P 500	3,588.84	-0.65
NASDAQ	10,426.19	-1.10
Stoxx Eur 600	387.95	-0.56
FTSE 100	6,885.23	-1.06
Nikkei 225	26,401.25	-2.64
Hang Seng	16,832.36	-2.23
Straits Times	3,105.00	-0.08
KLCI 30	1,386.82	-1.36
FX		
Dollar Index	113.22	0.07
EUR/USD	0.9708	0.06
GBP/USD	1.0968	-0.79
USD/JPY	145.86	0.10
AUD/USD	0.6272	-0.49
USD/CNH	7.1733	0.28
USD/MYR	4.6733	0.50
USD/SGD	1.4385	0.06
Commodities		
WTI ($/bbl)	89.35	-1.95
Brent ($/bbl)	94.29	-1.98
Gold ($/oz)	1,678.70	0.68
Copper ($$/MT)	7,596.00	0.23
Aluminum($/MT)	2,236.00	-1.06
CPO (RM/tonne)	3,644.50	0.03

Source: Bloomberg, HLBB Global Markets Research sink into recession, while IMF expects growth to slow to 2.7% in 2023. Gold also stayed below the US$1,700 threshold, largely unchanged (+0.1%) at US$1,669.10/oz.

IMF cut 2023 world GDP growth by 0.2ppt to 2.7%:

- IMF expects global growth to slow from 6.0% in 2021 to 3.2% in 2022 and 2.7% in 2023 (July forecast: 3.2% for 2022 and 2.9% for 2023). This is the weakest growth since 2001 except for the global financial crisis and the acute phase of the COVID-19 pandemic. The cost-of-living crisis, tightening financial conditions in most regions, Russia's invasion of Ukraine, and the lingering COVID-19 pandemic all weigh heavily on the outlook. Global inflation, meanwhile is forecast to rise from 4.7% in 2021 to 8.8% in 2022 but to decline to 6.5% in 2023 and to 4.1% by 2024. Monetary policy should stay the course to restore price stability, and fiscal policy should aim to alleviate the cost-of-living pressures while maintaining a sufficiently tight stance aligned with monetary policy.

US NFIB Small Business Optimism rose 1.9 points to 91.8

- The NFIB Small Business Optimism Index rose 1.9 points in August to 91.8, marking the eighth consecutive month below the 48-year average of 98 but reversing some of the declines in the first half of the year. Small business owners expecting better business conditions over the next six months improved 10 points m/m to -42%, the highest level since February 2022, but a dismal outlook. The net percent of owners raising average selling prices decreased 3 points to a 53%, still a very inflationary outcome. The net percent of owners who expect real sales to be higher increased 10 points m/m to -19%, but owners still want to hire. The Uncertainty Index increased seven points to 74.

UK Unemployment fell to the lowest since 1974 at 3.5%

- Unemployment rate in the UK fell to 3.5% in the three months to August from a previous level of 3.8% and consensus estimate's 3.6%. This is the lowest level since February 1974. However, the fall in the headline rate came amid a sharp rise in the number of working-age adults classified by statisticians as "economically inactive," meaning they are neither employed nor looking for work. While there are about 1.2 million people unemployed, it said the inactivity rate rose by 0.6 ppts to 21.7%. The rise was driven by students, as well as long-term sickness which increased to a record high.
- Annual wage growth, including bonuses meanwhile, strengthened to 6.0% over the three months to August. Excluding bonuses, pay growth was 5.4%. While an increase on previous months, the annual growth in workers' pay was still failing to keep pace with soaring inflation. As a result, growth fell in real-terms by 2.4% when bonuses were taken into account, and by 2.9% for regular pay.

Japan's current account posts record trade deficit; Eco Watchers outlook fell:

- Japan's current account record a deficit of 2.5 trillion yen in August. This is higher that consensus forecast of 2.4 trillion yen and doubling July's 1.2 trillion yen. Consequently, current account surplus for the month also narrowed substantially to 58.9bn yen from 229.bn yen previously.
- Japan's Eco Watcher's Outlook index edged down slightly by 0.2ppts to 49.4 in September. This level is below consensus estimate of 50.8. Decline was seen across the board with the exception of the Food sub-index.

Australia consumer sentiment at historic lows, but NAB business conditions rose:

- The Westpac Melbourne Institute Index of Consumer Sentiment fell by 0.9% m/m to 83.7 in October (Sept: 84.4). The Index remained deeply in pessimistic territory at a level comparable to the lows briefly reached during the pandemic and the extended weakness experienced during the Global Financial Crisis. RBA's smaller than expected 25bp rate rise averted a much bigger fall. Sentiment amongst those surveyed post-RBA was up 14.7% vs pre-RBA. Confidence in jobs tumbled 11.7% but is still relatively upbeat. 'Time to buy a dwelling' index down 6.5% but remains in a 6-month range. House Price Expectations were also very sensitive to the RBA decision but appear range bound at around 100.
- NAB's Business Conditions, on the other hand, rose 3pts to +25 in September. Trading conditions drove the increase, rising by 9pts to +39 index points. Profitability and employment were little changed at +19 index points and +16 index points respectively. Overall, the survey indicates the economy has remained resilient through recent months despite the challenges from higher inflation, rising interest rates and a gloomy global outlook, and there are signs that cost pressures may be easing.

House View and Forecasts

FX	This Week	3Q-22	4Q-22	1Q-23	2Q-23
DXY	110-115	106.00	105.00	103.00	102.00
EUR/USD	0.95-1.00	1.02	1.03	1.05	1.04
GBP/USD	1.00-1.03	1.21	1.22	1.24	1.23
USD/JPY	143-148	138.00	135.00	133.00	132.00
AUD/USD	0.63-0.67	0.67	0.69	0.70	0.70
USD/MYR	4.62-4.68	4.42	4.40	4.38	4.35
USD/SGD	1.42-1.45	1.40	1.38	1.37	1.36

Rates, %	Current	3Q-22	4Q-22	1Q-23	2Q-23
Fed	3.00-3.25	3.00-3.25	4.25-4.50	4.25-4.50	4.25-4.50
ECB	1.25	1.25	2.75	2.75	2.75
BOE	2.25	2.25	3.25	3.25	3.25
BOJ	-0.10	-0.10	-0.10	-0.10	-0.10
RBA	2.35	2.35	3.10	3.10	3.10
BNM	2.50	2.50	2.50	2.75	2.75

Source: HLBB Global Markets Research

Up Next

Date	Events	Prior
11-21/10	CH FDI YTD YoY CNY (Sep)	16.40%
12/10	JN Core Machine Orders MoM (Aug)	5.30%
	MA Industrial Production YoY (Aug)	12.50%
	MA Manufacturing Sales Value YoY (Aug)	23.80%
	JN Machine Tool Orders YoY (Sep P)	10.70%
	UK Monthly GDP (MoM) (Aug)	0.20%
	UK Construction Output MoM (Aug)	-0.80%
	UK Industrial Production MoM (Aug)	-0.30%
	UK Manufacturing Production MoM (Aug)	0.10%
	UK Index of Services MoM (Aug)	0.40%
	UK Visible Trade Balance GBP/Mn (Aug)	-£19362m
	EC Industrial Production SA MoM (Aug)	-2.30%
	US MBA Mortgage Applications (39356)	--
	US PPI Final Demand MoM (Sep)	-0.10%
13/10	US FOMC Meeting Minutes (44440)	--
	UK RICS House Price Balance (Sep)	53%
	JN PPI YoY (Sep)	9.00%

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

	AU Consumer Inflation Expectation (Oct)	5.40%
	US CPI MoM (Sep)	0.10%
	US Initial Jobless Claims (39722)	--
	US Real Avg Hourly Earning YoY (Sep)	-2.80%
13-16/10	CH 1-Yr Medium-Term Lending Facility Rate (42278)	2.75%

Source: Bloomberg