

12 December 2022

Global Markets Research

Daily Market Highlights

12 Dec: US stocks tumbled, post worst week since Sept

US PPI higher-than expected; consumer sentiment rose more than consensus estimate

DXY stable at 104.81; sterling rose to a 4-day high

Oil prices fell in volatile trading, WTI dipped briefly below \$71/barrel

- US stocks finished lower Friday, with all the major averages posting losses as worries persisted over continued rate hikes. Dow Jones Industrial Average shed 0.9% d/d while the S&P 500 and Nasdaq fell 0.7% d/d. Friday's moves came after November's PPI which showed higher-than-expected PPI. Consumer sentiment came above expectation, but attention remains laser-focused on next week's busy economic calendar. European markets, on the other hand, closed higher, with the Stoxx 600 and FTSE 100 gaining 0.8% d/d and 0.1% d/d respectively. In Asia, Hang Seng Index led gains at +2.3% d/d as China inflation data came in roughly in line with expectations. Japan's Nikkei 225 closed up 1.2% d/d.
- Treasury yields climbed after the PPI data, with the benchmark 10-year Treasury up by about 10bps at 3.58%. The 2-year yield rose more than 3bps to 4.34%.
- The Dollar Index was stable at 104.81 (+0.03% d/d). Against its G10 peers, greenback strengthened 0.2% d/d against the euro but weakened 0.1% d/d against the Japanese yen. Sterling rose to a 4-day high, up 0.2% d/d to \$1.2259, as the British government announced reforms designed to maintain London as one of the most competitive financial hubs in the world. The package of 30 measures includes a relaxation of the rule that requires banks to separate their retail operations from their investment arms. Ringgit meanwhile, depreciated 0.1% d/d against the Dollar.
- Oil price settled lower in volatile trading, with the West Texas Intermediate (WTI) crude settling briefly below the \$71/barrel, the lowest in a year. The decline comes on the back of a small rally earlier in the day triggered by Russian President Vladimir Putin saying that the country may cut production in response to the G7 cap on the price of its crude. WTI ended the day 0.6% d/d lower at \$71.02/barrel. Brent also settled 0.1% d/d lower. Gold prices, meanwhile, rose 0.5% d/d as traders looked beyond the mixed US data and awaited inflation number next week for clues on the pace of Federal Reserve's monetary tightening.

US PPI increased higher-than expected but near-term inflation expectations eased; consumer sentiment rose more than expected

- US producer prices (PPI) rose slightly more than expected in November amid a jump in the costs of services, but the trend is moderating, with annual inflation at the factory gate posting its smallest increase in 1.5 years. The PPI for final demand rose 0.3% m/m (consensus: +0.2% m/m, October: +0.3%

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	33,476.46	-0.90
S&P 500	3,934.38	-0.73
NASDAQ	11,004.62	-0.70
Stoxx Eur 600	439.13	0.84
FTSE 100	7,476.63	0.06
Nikkei 225	27,901.01	1.18
Hang Seng	19,900.87	2.32
Straits Times	3,245.97	0.31
KLCI 30	1,477.19	0.77
FX		
Dollar Index	104.81	0.03
EUR/USD	1.0540	-0.15
GBP/USD	1.2259	0.20
USD/JPY	136.56	-0.08
AUD/USD	0.6795	0.38
USD/CNH	6.9643	0.04
USD/MYR	4.4040	0.06
USD/SGD	1.3539	0.02
Commodities		
WTI (\$/bbl)	71.02	-0.62
Brent (\$/bbl)	76.10	-0.07
Gold (\$/oz)	1,798.10	0.53
Copper (\$\$/MT)	8,543.00	0.00
Aluminum(\$/MT)	2,480.50	-0.90
CPO (RM/tonne)	3,933.50	-1.34

Source: Bloomberg, HLBB Global Markets Research

m/m), led by a 0.4% m/m increase for services. On a y/y basis, PPI jumped 7.4%, the smallest gain in 18 months.

- A separate report from the University of Michigan showed its measure of consumers' one-year inflation expectations fell to 4.6% this month, the lowest reading since September 2021, from 4.9% in November. The survey's five-year inflation outlook was unchanged at 3.0% in December.
- Consumer sentiment increased in early December as a decline in gas prices and recent rises in financial markets offset persistent worries over inflation and the outlook for the economy. The University of Michigan's preliminary consumer sentiment index rose to 59.1 in December (consensus: 57.0, November: 56.8) November, recovering most of the losses registered the previous month. All components of the index improved, with one-year business conditions increasing 14% and long-term business conditions rising by 6%.
- Wholesale inventories increased less than expected in in October at +0.5% m/m (Consensus: +0.8% m/m, Sept: +0.6% m/m), suggesting that businesses were carefully managing their inventory. Sales at wholesalers accelerated to +0.4% in October after gaining 0.1% in September. At October's sales pace it would take wholesalers 1.32 months to clear shelves, unchanged from September.

New Zealand manufacturing sales rebounded

- New Zealand manufacturing sales volumes rose 3.1% q/q in 3Q, rebounding from -4.8% q/q in 2Q. Volumes for dairy and meat products, the country's biggest export earners, rose 11.6% q/q.

China's CPI eased further; PPI remain in deflation

- China's consumer inflation (CPI) eased further in November to +1.6% y/y (Oct: +2.1% y/y), matching consensus while producer prices (PPI) fell for the second month at -1.3% y/y, unchanged from October but was better than consensus at -1.5% y/y. According to chief NBS statistician Dong Lijuan. domestic epidemic, seasonal factors, and a higher base of comparison in the same period last year contributed to the softer prices and noted that PPI rose slightly m/m as a result of price increases in coal, oil and non-ferrous metals.

House View and Forecasts

FX	This Week	4Q-22	1Q-23	2Q-23	3Q-23
DXY	103-106	100.00	98.00	96.04	96.04
EUR/USD	1.04-1.07	1.08	1.10	1.11	1.11
GBP/USD	1.21-1.25	1.25	1.26	1.27	1.27
USD/JPY	133-137	133	130	128	128
AUD/USD	0.67-0.69	0.69	0.70	0.72	0.72
USD/MYR	4.35-4.40	4.36	4.31	4.28	4.28
USD/SGD	1.34-1.37	1.33	1.32	1.30	1.30

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	3.10	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
12-Dec	JN PPI MoM (Nov)	0.60%
	UK Rightmove House Prices MoM (Dec)	-1.10%
	MA Industrial Production YoY (Oct)	10.80%
	MA Manufacturing Sales Value YoY (Oct)	19.50%
	UK Industrial Production MoM (Oct)	0.20%
	UK Trade Balance GBP/Mn (Oct)	-£3135m
13-Dec	NZ REINZ House Sales YoY (Nov)	-34.70%
	AU CBA Household Spending MoM (Nov)	0.90%
	AU Westpac Consumer Conf Index (Dec)	78
	AU NAB Business Confidence (Nov)	0
	UK Average Weekly Earnings 3M/YoY (Oct)	6.00%
	UK ILO Unemployment Rate 3Mths (Oct)	3.60%
	HK Industrial Production YoY (3Q)	2.70%
	HK PPI YoY (3Q)	0.80%
	EC ZEW Survey Expectations (Dec)	-38.7
	US NFIB Small Business Optimism (Nov)	91.3
	US Real Avg Weekly Earnings YoY (Nov)	-3.70%
	US CPI Ex Food and Energy MoM (Nov)	0.30%

Source: Bloomberg

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