

13 January 2022

## Global Markets Research

### Daily Market Highlights

# 13-Jan: US inflation hit 7%, highest since 1982

**Stocks, treasury yields rose modestly after CPI met expectations**

**Dollar slumped across the board as rate hikes were priced in**

**China's inflationary pressures eased towards year-end**

- US stocks closed modestly higher overnight even as US CPI inflation hit 7.0% y/y in December, its highest level since June 1982. The Dow Jones rose 0.1% while the S&P 500 and NASDAQ each picked up 0.3% and 0.2% amid the broad-based sectoral gains.
- Short-term yields rose more aggressively, flattening the yield curve. The yield on the benchmark 2Y notes picked up 3.6bps to 0.92% while the 10Y UST yield was steady (+0.7bps) at 1.74%.
- The dollar plunged in response to the CPI data as the expectations for a faster pace of Fed's rate hikes this year had been priced in. The USD weakened against all G10 currencies overnight; NOK jumped 1.5% followed by the SEK, AUD and CHF which surged 1.0%. The dollar index plummeted by 0.7% to 94.92.
- USD/MYR slumped to as low as 4.1765 on Wednesday before recovering to close at 4.1855 (-0.1%), marking its fourth consecutive daily decline. The broad-based decline in USD is expected to continue supporting the MYR, thus weighing on the pair in the short term, with immediate support at 4.1750; a break below this line moves the next target to 4.1700, followed by 4.1600.
- In the commodity market, gold prices continued to ride on the dollar weakness, trading 0.5% higher at \$1827.30/oz. Crude oil prices soared thanks to the positive risk sentiment; Brent crude rose 1.1% to \$84.67/barrel while WTI outperformed slightly (+1.8%) to settle at \$82.64/barrel.

#### US CPI inflation highest since June 1982:

- The US consumer price inflation accelerated to 7.0% y/y in December (Nov: +6.8%), matching the Bloomberg consensus forecast. This marked the largest y/y rate ever recorded by the index since June 1982 during which the US economy was still in a deep recession. The current surge in prices was driven altogether by different circumstances; the prolonged supply chain constraints and soaring consumer demand amid a robust economic growth continued to push up prices. The core CPI index rose 5.5% y/y, also faster than November's rate (+4.9%).
- On a monthly basis, the headline CPI inflation decelerated for the second month to 0.5% m/m (Nov: +0.8%), reflecting the easing in gasoline inflation (-0.5% m/m). Prices of gasoline had been climbing by 6.1% m/m for two consecutive months in October and November, in line with the rally in global crude oil prices. The core CPI rate picked up to 0.6% m/m (Nov: 0.5%).

#### Fed's Beige Book reported modest expansion in US activity:

- The Federal Reserve's first Beige Book of 2022 reported that economic activity across the US expanded at a modest pace in the final weeks of 2021. Growth

#### Key Market Metrics

	Level	d/d (%)
<b>Equities</b>		
Dow Jones	36,290.32	0.11
S&P 500	4,726.35	0.28
NASDAQ	15,188.39	0.23
Stoxx 600	486.20	0.65
FTSE 100	7,551.72	0.81
Nikkei 225	28,765.66	1.92
Hang Seng	24,402.17	2.79
Straits Times	3,254.98	0.27
KLCI 30	1,563.20	-0.07
<b>FX</b>		
Dollar Index	94.92	-0.74
EUR/USD	1.1442	0.66
GBP/USD	1.3700	0.48
USD/JPY	114.64	-0.57
AUD/USD	0.7284	1.03
USD/CNH	6.3626	-0.23
USD/MYR	4.1855	-0.12
USD/SGD	1.3458	-0.35
<b>Commodities</b>		
WTI (\$/bbl)	82.64	1.75
Brent (\$/bbl)	84.67	1.13
Gold (\$/oz)	1,827.30	0.48

Source: Bloomberg, HLBB Global Markets Research

continued to be constrained by the ongoing supply chain disruptions and labour shortages. Employment grew modestly and the tightness in the labour market led to robust wage growth. Most districts reported solid growth in prices charged to consumers but there were indications that price increases had decelerated a bit from the robust pace experienced in recent months.

#### Eurozone's industrial production rose in November:

- The Eurozone's industrial production rose 2.3% m/m in November, after the downwardly revised 1.3% decline in October. The reading beat the consensus forecast of 0.3%. The turnaround in the headline output growth reflects volatilities in Ireland's data (+37.3% m/m vs -32.1% prior) while the poor readings from key economies such as Germany (-0.1% vs +2.8% prior) and France (-0.5% vs +0.9% prior) suggest that factories still struggled with the supply chain constraints and elevated input prices.

#### China's inflationary pressures eased towards year end:

- Inflationary pressure in China appeared to have moderated in the last month of 2021, partly thanks to the government's targeted measures to curb soaring commodity prices although weaker demand and the authorities' strict zero Covid policy might have played their roles as well. Consumer price index recorded its first m/m decline in six months of 0.3% (Nov: +0.4%) which translates to a weaker y/y CPI growth rate of 1.5% (Nov: +2.3%). This was below the consensus forecast of 1.7%. Food prices slumped back to the deflationary trend after the momentary 1.6% gain in the previous month where pork prices declined further (-36.7% y/y vs -32.7% y/y prior). Prices of non-food also rose at a slower pace of 2.1% y/y, from 2.5% previously.
- Meanwhile, producer prices fell 1.2% m/m in December (Nov: 0.0%) while the annual rate softened for the second consecutive month to 10.3% y/y (Nov: +12.9%), reflecting pull-backs across upstream and downstream industries.

#### House View and Forecasts

FX	This Week	1Q-22	2Q-22	3Q-22	4Q-22
DXY	95-97	96.15	96.40	96.30	96.30
EUR/USD	1.12-1.14	1.13	1.12	1.12	1.13
GBP/USD	1.34-1.35	1.34	1.33	1.35	1.36
AUD/USD	0.70-0.72	0.72	0.72	0.74	0.75
USD/JPY	115-116	115	116	115	114
USD/MYR	4.16-4.21	4.17	4.15	4.15	4.10
USD/SGD	1.35-1.37	1.35	1.34	1.34	1.33

  

Policy Rate %	Current	1Q-22	2Q-22	3Q-22	4Q-22
Fed	0-0.25%	0-0.25	0.25-0.50	0.50-0.75	0.75-1.00
ECB	-0.50	-0.50	-0.50	-0.50	-0.50
BOE	0.25	0.25	0.50	0.50	0.75
RBA	0.10	0.10	0.10	0.10	0.25
BOJ	-0.10	-0.10	-0.10	-0.10	-0.10
BNM	1.75	1.75	1.75	1.75	2.00

Source: HLBB Global Markets Research

#### Up Next

Date	Events	Prior
13/01	US PPI Final Demand YoY (Dec)	9.6%
	US Initial Jobless Claims (08 Jan)	207k
14/01	AU Home Loans Value MoM (Nov)	-2.5%
	CN Exports YoY (Dec)	22.0%
	UK Monthly GDP (MoM) (Nov)	0.1%
	UK Industrial Production MoM (Nov)	-0.6%
	UK Visible Trade Balance GBP/Mn (Nov)	-£13934m
	EZ Trade Balance SA (Nov)	2.4b

#### Hong Leong Bank Berhad

Fixed Income & Economic Research, Global Markets  
 Level 8, Hong Leong Tower  
 6, Jalan Damansara  
 Bukit Damansara  
 50490 Kuala Lumpur  
 Tel: 603-2081 1221  
 Fax: 603-2081 8936

[HLMarkets@hlbb.hongleong.com.my](mailto:HLMarkets@hlbb.hongleong.com.my)

US Retail Sales Advance MoM (Dec)	0.3%
US Import Price Index YoY (Dec)	11.7%
US Industrial Production MoM (Dec)	0.5%
US U. of Mich. Sentiment (Jan P)	70.6

Source: Bloomberg

#### 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 favorable 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.