

13 May 2022

Global Markets Research
Daily Market Highlights

13-May: Risk aversion boosted safe assets

Rally in UST pushed 10Y yield back below 2.9%

US Dollar and Yen jumped on safe haven appeals; Euro suffered deep losses

Ringgit reversed OPR related gains to close near 4.4000 on Thursday

- US stock benchmarks generally fell on Thursday after a choppy session that saw stocks swing between gains and losses intraday. The Dow Jones fell 0.3%, marking its sixth consecutive decline. The broader S&P 500 closed 0.1% lower while tech-focus NASDAQ was marginally higher (+0.06%). Earlier, European and Asian markets all ended in the red as risk aversion triggered a selling of risk assets.
- US treasury yields retreated further as investors favoured safe haven assets amid the persistent concerns for high inflation and an imminent global growth crunch. The yield on the benchmark 10Y UST dropped 7bps to 2.85% after having hit 3.10% last week.
- Concurrently, the US dollar's safe haven appeal attracted strong demand as the greenback strengthened substantially (0.4-1.3%) against all G10 currencies except the JPY. JPY rose for the second day and made its steepest single-session gain (+1.3%) in over five months as its haven appeal staged a revival for the battered currency that saw a YTD fall of 10.5%. The dollar index surged nearly 1.0% to 104.85, driven by the 1.3% sharp losses in the EUR.
- USD/MYR erased prior day's pull-back related to the OPR hike and closed 0.4% higher at 4.3940. The overnight USD strength and general risk-off sentiment ahead of a long weekend is expected to push the pair higher to test 4.40 key level today. The pair remains very much USD driven as the OPR hike did not have as significant an effect as predicted, although the anticipation for a strong Malaysia's first quarter GDP data today could possibly cap some gains in the pair. We expect today's 1Q GDP print to top 5.0%, following a strong revival in services activities.
- In the commodity market, gold futures tanked 1.6% to \$1824.60/oz as the USD rallied. Crude oil benchmarks registered mixed performances amid the lack of progress in the proposed European oil embargo on Russia while IEA highlighted the universal crude shortage in its monthly report. Brent crude stabilised (-0.06%) at \$107.45 while WTI posted a modest 0.4% gain at \$106.13/barrel.

US initial jobless claims at 203k; PPI inflation moderated:

- Initial jobless claims in the US came in at 203k for the week ended 7 May, little changed from 202k in the previous week. The first-time filings for unemployment benefits remained historically low, reflecting the continuously tight labour market.
- Producer prices index for final demand rose 0.5% m/m in April (Mar: +1.6%), matching expectations. The y/y PPI inflation slipped a little to 11.0% y/y (Mar: +11.5%) but still higher than the consensus forecast (+10.7%). The core PPI rate also moderated to 8.8% y/y (Mar: +9.6%), adding to signs of moderating albeit still elevated US inflation.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	31,730.30	-0.33
S&P 500	3,930.08	-0.13
NASDAQ	11,370.96	0.06
Stoxx 600	424.40	-0.75
FTSE 100	7,233.34	-1.56
Nikkei 225	25,748.72	-1.77
Hang Seng	19,380.34	-2.24
Straits Times	3,165.18	-1.89
KLCI 30	1,538.80	-1.10
FX		
Dollar Index	104.85	0.97
EUR/USD	1.0380	-1.27
GBP/USD	1.2202	-0.40
USD/JPY	128.34	-1.25
AUD/USD	0.6856	-1.18
USD/CNH	6.8273	0.93
USD/MYR	4.3940	0.38
USD/SGD	1.3963	0.48
Commodities		
WTI (\$/bbl)	106.13	0.40
Brent (\$/bbl)	107.45	-0.06
Gold (\$/oz)	1,824.60	-1.57

Source: Bloomberg, HLBB Global Markets Research

UK GDP growth moderated in first quarter:

- The UK first quarter GDP growth came in at 0.8% q/q, versus the forecast of 1.0% q/q. Growth moderated from 1.3% q/q in 4Q21 as the gains from household consumption (+0.33ppts) and gross investment (+4.81ppts) were dragged down by the negative net exports (-4.0ppts). Exports of UK made goods were affected by the widespread supply change issues while imports continued to be supported by the strong domestic demand and recovery in the job market. The economy grew 8.7% y/y compared to the same quarter last year (4Q21: +6.6%).
- A further economic slowdown looks to be imminent based on other same-day released indicators. In March, industrial production fell 0.2% m/m (Feb: -0.3%) while the services sector output also contracted by 0.2% m/m (Feb: 0.0%), reflecting the impact of the extended supply chain bottlenecks as well as the higher inflation.
- Visible trade deficit widened to £23.9b in March (Apr: -£21.6b) as import growth (+5.8% m/m) outweighed export growth (+2.1% m/m).

Australia's consumer inflation expectation softened in May:

- Australia's consumer inflation rate expectation slipped to 5.0% in May, down from the 10-year high of 5.2% in April, marking its first decline in four months. The RBA has recently brought forward its normalisation cycle to early May by raising the cash rate to 0.35% (+25bps) to rein in inflation amid continuous economic expansion.

House View and Forecasts

FX	This Week	2Q-22	3Q-22	4Q-22	1Q-23
DXY	102-105	106.00	108.00	105.00	103.00
EUR/USD	1.04-1.06	1.02	1.00	1.01	1.03
GBP/USD	1.22-1.25	1.21	1.20	1.22	1.24
AUD/USD	0.70-0.72	0.69	0.68	0.69	0.70
USD/JPY	129-131	133.00	135.00	133.00	132.00
USD/MYR	4.35-4.40	4.38	4.40	4.38	4.35
USD/SGD	1.38-1.39	1.39	1.40	1.38	1.37

Rates, %	Current	2Q-22	3Q-22	4Q-22	1Q-23
Fed	0.75-1.00	1.25-1.50	2.00-2.25	2.50-2.75	2.50-2.75
ECB	-0.50	-0.50	-0.50	-0.25	-0.25
BOE	1.00	1.25	1.25	1.25	1.25
RBA	0.35	0.50	0.75	1.00	1.25
BOJ	-0.10	-0.10	-0.10	-0.10	-0.10
BNM	2.00	2.00	2.25	2.25	2.50

Source: HLBB Global Markets Research

Up Next

Date	Events	Prior
13/05	NZ BusinessNZ Manufacturing PMI (Apr)	53.8
	MA GDP YoY (1Q)	3.6%
	HK GDP YoY (1Q F)	4.7
	EZ Industrial Production SA MoM (Mar)	0.7%
	US Import Price Index YoY (Apr)	12.5%
16/05	US U. of Mich. Sentiment (May P)	65.2
	NZ Performance Services Index (Apr)	51.6
	UK Rightmove House Prices YoY (May)	9.9%
	JP PPI YoY (Apr)	9.5%
	CN Industrial Production YoY (Apr)	5.0%
	CN Retail Sales YoY (Apr)	-3.5%
	CN Fixed Assets Ex Rural YTD YoY (Apr)	9.3%
	JP Machine Tool Orders YoY (Apr P)	30.0%
	EZ Trade Balance SA (Mar)	-9.4b
	US Empire Manufacturing (May)	24.6

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

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