13 July 2022

Global Markets Research

Daily Market Highlights

13-July: Oil dipped on recession fear

US stocks and bond yields fell ahead of CPI data

Oil slumped to three-month low; Brent closed below $100/barrel

Dollar traded mixed against G10; EUR/USD still teeters on the brink of parity

- US stocks tumbled overnight just ahead of today's CPI data and the kick-off of the earnings season. Recession fear continued to stoke the markets with oil collapsing to a three-month low in the wake of China's Covid-19 resurgence. WHO has also warned of risk of rising Covid-19 infection and death cases with new wave caused by the Omicron BA.4 and BA.5 subvariants making inroads especially in Europe and the US. On a separate note, IMF has downgraded US growth forecast from 3.7% to 2.3% this year, and projects muted growth in the 1.0% levels for 2023-2024.

- The Dow Jones fell 0.6%; the S&P 500 shed 0.9% and tech-focused NASDAQ lost 1.0%. European shares closed higher as the STOXX Europe 600 rose 0.5%, reversing the losses in the previous session. Asian benchmarks mostly ended in red amid risk aversion. Nikkei 225 plummeted 1.8%% whereas Hang Seng lost 1.3%.

- Oil prices tanked to their lowest levels since mid-April. Brent crude lost 7.1% to $99.49/barrel while WTI slumped by a whopping 7.9% to $95.84/barrel.

- Safe haven appetites further boosted demand for the US treasuries. The yield on the benchmark 2Y UST fell 3bps to 3.05% while the 10Y yield lost 3bps to 2.97%. Global yields generally slipped lower. German 10Y bund yield plunged 11bps to 1.13% as German investor confidence tanked to its worst level since the sovereign debt crisis in 2011.

- The dollar traded mixed against a basket of major currencies. Among the G10, the Swedish Krona (+0.6%) was the best performing currency, followed by the JPY (+0.4%) and AUD (+0.4%). EUR and GBP were flat against the dollar with the single currency teetering on the brink of parity at 1.0037. The dollar index rose marginally (+0.05%) to 108.07.

- Asian-ex Japan currencies all depreciated against the dollar with the Philippine peso registering the largest losses (-0.7%), followed by the Korean won (-0.6%) and THB (-0.4%). MYR shed 0.3% to trade at 4.4390 against the greenback after the market reopened following a long weekend.

- The RBNZ is expected to hike the OCR by 50bps to 2.50% today while the Bank of Canada likely lifts its benchmark policy rate by 75bps to 2.25%.

US small business optimism dipped in June:

- The NFIB Small Business Optimism Index slipped to 89.5 in June, its weakest level since 2013. This compared to the expectations of 92.5 and May's reading of 93.1. The huge drop in the gauge for US small business sentiment

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	30,981.33	-0.62
S&P 500	3,818.80	-0.92
NASDAQ	11,264.73	-0.95
Stoxx Eur 600	417.04	0.49
FTSE 100	7,209.86	0.18
Nikkei 225	26,336.66	-1.77
Hang Seng	20,844.74	-1.32
Straits Times	3,145.77	0.46
KLCI 30	1,426.08	0.02
FX		
Dollar Index	108.07	0.05
EUR/USD	1.0037	-0.03
GBP/USD	1.1889	-0.03
USD/JPY	136.87	-0.41
AUD/USD	0.6758	0.36
USD/CNH	6.7352	0.14
USD/MYR	4.4390	0.28
USD/SGD	1.4073	0.09
Commodities		
WTI ($/bbl)	95.84	-7.93
Brent ($/bbl)	99.49	-7.11
Gold ($/oz)	1,724.80	-0.40
Copper ($$/MT)	7,354.00	-3.04
Aluminum ($/MT)	2,360.00	-0.82
CPO (RM/tonne)	4,207.50	2.91

Source: Bloomberg, HLBB Global Markets Research reflects downgrades in economic, sales and earnings expectations. The index has kept falling since the start of 2022 as inflation, the challenges to fill vacant positions as well as a general sense of deteriorating economic prospects continued to weigh on the overall confidence.

German investor confidence collapsed on potential energy crisis:

- Investor confidence in Germany tanked to the lowest level since 2011 as recession risks heightened further in recent days amid a potential energy crisis. The ZEW Institute's gauge of expectations for dipped by 26pts to -53.8 in July (Jun: -28.0) while the current situation index fell to -45.8 (Jun: -27.6) as the country faces a ten-day halt in Russian pipeline gas supply due to scheduled maintenance. The same expectations gauge for the broader Eurozone also slipped to -51.1 (Jun: -28.0), reflecting impending increase in interest rates by the ECB, elevated inflation and global growth slowdown.

House View and Forecasts

FX	This Week	3Q-22	4Q-22	1Q-23	2Q-23
DXY	106-108	106.00	105.00	103.00	102.00
EUR/USD	1.00-1.03	1.02	1.03	1.05	1.04
GBP/USD	1.18-1.21	1.21	1.22	1.24	1.23
AUD/USD	0.67-0.69	0.67	0.69	0.70	0.70
USD/JPY	134-137	138.00	135.00	133.00	132.00
USD/MYR	4.41-4.45	4.42	4.40	4.38	4.35
USD/SGD	1.39-1.41	1.40	1.38	1.37	1.36

Rates, %	Current	3Q-22	4Q-22	1Q-23	2Q-23
Fed	1.50-1.75	2.50-2.75	3.00-3.25	3.00-3.25	3.00-3.25
ECB	-0.50	0.25	0.50	0.50	0.50
BOE	1.25	1.75	2.00	2.00	2.00
RBA	1.35	1.60	1.85	1.85	1.85
BOJ	-0.10	-0.10	-0.10	-0.10	-0.10
BNM	2.25	2.50	2.75	2.75	2.75

Source: HLBB Global Markets Research

Up Next

Date	Events	Prior
13/07	AU Westpac Consumer Conf SA MoM (Jul)	-4.5%
	NZ RBNZ Official Cash Rate (13 Jul)	2.0%
	CN Exports YoY (Jun)	16.9%
	CN Imports YoY (Jun)	4.1%
	UK Monthly GDP (MoM) (May)	-0.3%
	UK Industrial Production MoM (May)	-0.6%
	UK Index of Services MoM (May)	-0.3%
	UK Visible Trade Balance GBP/Mn (May)	-£20893m
	EZ Industrial Production SA MoM (May)	0.4%
	US MBA Mortgage Applications (08 Jul)	-5.4%
	US CPI YoY (Jun)	8.6%
14/07	US U.S. Federal Reserve Releases Beige Book	
	UK RICS House Price Balance (Jun)	73%
	AU Employment Change (Jun)	60.6k
	AU Unemployment Rate (Jun)	3.9%
	JP Industrial Production MoM (May F)	-7.2%
	US PPI Final Demand YoY (Jun)	10.8%
	US Initial Jobless Claims (09 Jul)	235k

Source: Bloomberg

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