13 September 2022

Global Markets Research

Daily Market Highlights

13 Sep: All eyes on US CPI today

US stocks saw extended gains; led by tech shares again

UST curve bear steepened amid weak 10Y bond auction

DXY remained under broad pressure hovering in the 108 handle

- Major global stock indices saw another day of solid gains ahead of the release of closely scrutinized US CPI print tonight. Risk sentiments were boosted by expectations inflation is plateauing, which would allow the Fed to slow the pace of its policy tightening, hence averting a greater economic fallout. The three major benchmark US stock indices rose 0.7-1.3% amid broad-based gains in all subindices led by tech shares again. Apple led gainers on news of overwhelming orders for iPhone 14 Pro Max. Major European stock indices climbed more than 2.0% earlier while Asian stocks also saw broad-based gains.

- Global sovereign bonds continued to trade mixed, sold off in the US but advanced in Europe, and was mixed in Asia. The UST curve bear steepened, as a weak 10Y bond auction pushed up yields at the back end of the curve. Benchmark 10Y note yields rose 10bps to 3.36% while the front end 2Y note yields edged up 2bps to 3.57%.

- The Dollar Index traded in a bearish tone and ended lower for a second day in a row, remaining in the 108 handle to a close at 108.31, down 0.6% on the day. Weaknesses was evident across all G10s save for the JPY again, where the haven currencies fell 0.3% amid lingering risk sentiments. The EUR and GBP strengthened 0.8% each, while the AUD garnered a 0.7% gain.

- Major Asian currencies saw mixed trading. CNH (+0.3%), SGD (+0.3%) topped the list while THB (-0.2%) and MYR (-0.1%) were on the other spectrum of the list. USD/ MYR touched an intraday high of 4.5045 before closing at 4.5035.

- Oil continued to rally amid further retreat in the USD and rally in stocks, outweighing demand risks stemming from China's extended lockdown in Chengdu. Brent crude spiked 2.0% d/d to $94.26/ barrel while the WTI rose 2.3% to $88.04/ barrel.

Mixed bag of UK data spells headwinds to recovery:

- Monthly GDP rebounded albeit less than expected in July (+0.2% vs -0.6% m/m), continuing its zig-zag pattern added to signs of a still fragile growth momentum. The rebound was spurred by turnarounds in services (+0.4% vs -0.5% m/m), manufacturing (+0.1% vs -1.6% m/m), mining & quarrying (+3.5% vs -1.8% m/m), while utilities and construction contracted.
- Industrial production fell 0.3% m/m and the y/y pace softened to 1.1% in July (prior: -0.9% m/m and +2.4% y/y). Mirroring the performance in monthly GDP, the first back-to-back decline since Oct-21 was dragged by contraction

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	32,381.34	0.71
S&P 500	4,110.41	1.06
NASDAQ	12,266.41	1.27
Stoxx Eur 600	427.75	1.76
FTSE 100	7,473.03	1.66
Nikkei 225	28,542.11	1.16
Hang Seng	19,362.25	2.69
Straits Times	3,274.72	0.36
KLCI 30	1,497.96	0.10
FX		
Dollar Index	108.31	-0.61
EUR/USD	1.0122	0.80
GBP/USD	1.1683	0.81
USD/JPY	142.84	0.26
AUD/USD	0.6888	0.69
USD/CNH	6.9181	-0.28
USD/MYR	4.5037	0.13
USD/SGD	1.3959	-0.26
Commodities		
WTI ($/bbl)	88.04	2.25
Brent ($/bbl)	94.26	1.99
Gold ($/oz)	1,726.00	0.45
Copper ($$/MT)	8,004.00	1.72
Aluminum($/MT)	2,292.50	0.15
CPO (RM/tonne)	3,625.00	-1.04

Source: Bloomberg, HLBB Global Markets Research in utilities, which kept a lid on rebounds in manufacturing and mining & quarrying. Construction output extended its decline and fell 0.8% w/w (Jul: -1.4% m/m), reaffirming weaknesses in the construction and housing sectors.

- Visible trade deficit narrowed more than expected to £19.4bn in July (Jun: -£22.8bn), its lowest this year mainly a result of smaller deficit in the trade account. Goods exports rose 7.2% m/m while imports fell 2.3% m/m, even as services remained little changed with a surplus position of £11.6bn, leading to the decline in trade deficit which shall bode well with 3Q GDP.

Japan PPI steadied at +9.0% y/y; BSI outlook improved:

- Producer prices edged up at a milder pace of 0.2% m/m in August (Jul: +0.7% m/m revised) and steadied on a y/y basis at 9.0% (July's reading was revised up from +8.6% to +9.0% y/y), adding to signs inflationary pressure is abating.
- BSI survey for both large manufacturing and all industries business conditions rebounded to positive territory in 3Q, printing 1.7 and 0.4 respectively (2Q: -9.9 and -0.9). On the contrary, non-manufacturing turned negative (-0.2 vs +3.4). The survey also showed further improvement in outlook for 4Q22 for all large and medium industries, but smaller firms remained downbeat, still pointing to uneven recovery ahead.

House View and Forecasts

FX	This Week	3Q-22	4Q-22	1Q-23	2Q-23
DXY	108-112	106.00	105.00	103.00	102.00
EUR/USD	0.98-1.00	1.02	1.03	1.05	1.04
GBP/USD	1.14-1.17	1.21	1.22	1.24	1.23
USD/JPY	140-145	138.00	135.00	133.00	132.00
AUD/USD	0.66-0.69	0.67	0.69	0.70	0.70
USD/MYR	4.48-4.52	4.42	4.40	4.38	4.35
USD/SGD	1.40-1.42	1.40	1.38	1.37	1.36

Rates, %	Current	3Q-22	4Q-22	1Q-23	2Q-23
Fed	2.25-2.50	2.75-3.00	3.25-3.50	3.25-3.50	3.25-3.50
ECB	-0.50	0.75	1.75	2.25	2.75
BOE	1.75	2.25	3.25	3.25	3.25
BOJ	-0.10	-0.10	-0.10	-0.10	-0.10
RBA	1.85	2.35	3.10	3.10	3.10
BNM	2.25	2.50	2.50	2.50	2.50

Source: HLBB Global Markets Research

Up Next

Date	Events	Prior
13/09	AU Westpac Consumer Conf Index (Sep)	81.2
	AU NAB Business Confidence (Aug)	7.0
	UK Average Weekly Earnings 3M/YoY (Jul)	5.1%
	UK ILO Unemployment Rate 3Mths (Jul)	3.8%
	UK Employment Change 3M/3M (Jul)	160k
	EZ ZEW Survey Expectations (Sep)	-54.9
	US NFIB Small Business Optimism (Aug)	89.9
	US CPI YoY (Aug)	8.5%
14/09	JP Core Machine Orders MoM (Jul)	0.9%
	JP Industrial Production MoM (Jul F)	1.0%
	UK CPI YoY (Aug)	10.1%
	EZ Industrial Production SA MoM (Jul)	0.7%
	US MBA Mortgage Applications (07 Sep)	-0.8%
	US PPI Final Demand YoY (Aug)	9.8%

Source: Bloomberg

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