13 December 2022

Global Markets Research

Daily Market Highlights

13 Dec: US stocks started the week higher

Dow Jones closed above 34k; investors look ahead to CPI data and FOMC meeting

Oil prices settled up by more than 2% on supply jitters

Malaysia's IPI growth normalised to 4.6%; maintain GDP forecast of 8.2% for 2022

- The Dow Jones Industrial Average jumped 1.6% d/d, clawing back some of the steep losses from the previous week, as traders looked ahead to a highly anticipated Federal Reserve meeting and new inflation data. That was its first close over 34,000 since Dec 2. The S&P 500 gained 1.4% d/d while the Nasdaq Composite edged up by 1.3% d/d. A lift in Boeing shares pushed the Dow higher following reports Air India is close to a deal to buy 500 jets from Boeing and Airbus.

  European markets, on the other hand, retreated with Stoxx 600 close down 0.5% d/d, and FTSE 100 slipping 0.4% d/d. Biotech firm Chr. Hansen remained the top performer among Stoxx 600 stocks with a 17.6% d/d jump after Novozymes agreed to buy Chr. Hansen in a $12.3bn deal. Similarly, shares in the Asia-Pacific declined with Hang Seng index falling 2.2% d/d and Nikkei 225 dipping 0.2% d/d.

- Treasury yields ended higher across the curve with the yield on the 10-year Treasury note up by 4bps to 3.61%. The 2-year Treasury yield also climbed 3bps to 4.38%.

- The dollar ticked up 0.3% d/d to 105.13. Against its G10 peers, the greenback strengthened 0.8% d/d against the Japanese yen, 0.1% d/d against sterling, 0.4% d/d against Chinese yuan but weakened marginally (0.03% d/d) against the euro. Ringgit weakened 0.3% d/d against USD to close at 4.4180.

- Oil prices settled up by more than 2% d/d on supply jitters, as a key pipeline supplying the United States closed and Russia threatened a production cut. As it is, TC Energy Corp said that a date for a restart of the Keystone pipeline hasn't been set yet. Brent gained 2.5% d/d, while the West Texas Intermediate crude increased 3.0% d/d. Price of gold, meanwhile, fell 1.0% d/d.

UK manufacturing production unexpectedly jumped 0.7%

- Manufacturing production jumped 0.7% m/m in October as compared to -0.1% consensus had expected and 0% registered in September. 6 of its 13 sub-sectors positively contributed to growth; most notably, the manufacture of basic pharmaceutical products and transport equipment.
- Separately, trade balance for goods narrowed to -14.5bn pounds (consensus: -15.3bn vs Sept: -15.7bn pounds) as the contraction in exports (-0.6% m/m vs Sept: -3.3% m/m) was outpaced by imports (-2.6% m/m vs Sept: -5.0% m/m).

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	34,005.04	1.58
S&P 500	3,990.56	1.43
NASDAQ	11,143.74	1.26
Stoxx Eur 600	436.98	-0.49
FTSE 100	7,445.97	-0.41
Nikkei 225	27,842.33	-0.21
Hang Seng	19,463.63	-2.20
Straits Times	3,239.66	-0.19
KLCI 30	1,474.38	-0.19
FX		
Dollar Index	105.13	0.31
EUR/USD	1.0537	-0.03
GBP/USD	1.2269	0.08
USD/JPY	137.67	0.81
AUD/USD	0.6745	-0.74
USD/CNH	6.9898	0.37
USD/MYR	4.4180	0.32
USD/SGD	1.3549	0.07
Commodities		
WTI ($/bbl)	73.17	3.03
Brent ($/bbl)	77.99	2.48
Gold ($/oz)	1,780.50	-0.98
Copper ($$/MT)	8,374.00	-1.98
Aluminum($/MT)	2,414.00	-2.68
CPO (RM/tonne)	3,933.50	-1.34

Source: Bloomberg, HLBB Global Markets Research

- According to Rightmove, the average asking price of homes being put on the UK market fell by 2.1% m/m in November (Oct: -1.1% m/m), the largest pre-Christmas dip of the last 4 years. However, it added that the number of views of homes for sale on Rightmove was up 11% y/y, a sign that there are many potential movers who are weighing up their options. Moving forward, Rightmove expects prices to fall 2% y/y in 2023 after 2022's +5.6% y/y as the market heads towards a more even balance between supply and demand.

Japan PPI remained elevated at +9.3%

- Japan's producer price inflation (PPI) remained elevated in November as elevated raw material prices and a weakened yen pushed up price pressures faced by businesses. PPI accelerated and came above consensus estimate at +9.3% y/y (consensus: +8.8% y/y, Sept: +9.1% y/y), with electricity, gas and water prices being the biggest contributors to the higher-than-expected PPI data, as were food and beverage products. Still, import price inflation of major commodities appeared to have weakened slightly in November from the prior month. As it is, the reading was slightly lower than a peak of over 10% seen earlier this year and we expect no change to Bank of Japan (BoJ) ultra-dovish monetary policy.

Malaysia IPI growth decelerated sharply to 4.6%

- Growth in Malaysia's Industrial Production Index (IPI) moderated sharply to 4.6% y/y in October after registering 4 consecutive months of double-digit growth prior to that. The moderation is within expectation given the high base effect in October 2021 but was below consensus estimate's +7.7% y/y after September's +10.8% y/y. Slower growth was observed for the manufacturing (+4.2% y/y vs 10.4% y/y) and mining sectors (+8.6% y/y vs +15.0% y/y). The Electricity index turned contractionary, declining by 1.9% y/y (vs +4.1% y/y).
- Closely tracking industrial production growth, manufacturing sales also expanded at a softer but still commendable pace of 12.9% y/y (vs. +19.5% y/y), driven by E&E products (+16.6% y/y vs +24.7% y/y); Petroleum, chemical, rubber & plastic products (+23.8% y/y vs +27.2% y/y) and Food, beverages & tobacco products (+4.6% y/y vs +7.1% y/y) subsectors. In tandem with this, the number of employees in the manufacturing sector also rose at a slower pace of 3.6% y/y in October (vs 3.8% y/y) while salaries & wages as shown by the manufacturing sales report increased at a slower rate of 4.8% y/y (vs +5.4%).

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
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%
14-Dec	JN Core Machine Orders YoY (Oct)	2.90%
	JN Tankan Large Mfg Index (4Q)	8
	JN Industrial Production MoM (Oct F)	-2.60%
	JN Capacity Utilization MoM (Oct)	-0.40%
	UK CPI YoY (Nov)	11.10%
	UK PPI Output NSA MoM (Nov)	0.90%
	UK PPI Input NSA MoM (Nov)	0.80%
	EC Industrial Production SA MoM (Oct)	0.90%
	US MBA Mortgage Applications	-1.90%
	US Import Price Index MoM (Nov)	-0.20%
	US Export Price Index MoM (Nov)	-0.30%

Source: Bloomberg

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