

14 March 2022

Global Markets Research

Daily Market Highlights

14-Mar: Short-term yields rose ahead of rate hike

US equity selloff deepened last Friday; European stocks rebounded

Dollar strengthened across the board; CAD strength supported by strong job data

US consumer sentiment plunged on higher inflation expectations

- US equities fell again on Friday, ending a volatile week with their fifth consecutive weekly losses as the Russian strikes on Western Ukrainian cities intensified. The Dow Jones recorded a relatively modest loss of 0.7%, followed by the 1.3% decline in the S&P 500 and 2.2% slump in tech-focus NASDAQ. Earlier, European benchmarks managed to rise in response to President Putin's remarks of a positive development regarding the talks with Ukraine. The STOXX Europe 600 climbed nearly 1%.
- Short-to-medium term treasury yields rose on Friday in anticipation of this week's Fed rate lift-off. The yield on the benchmark 2Y government notes gained 5.2bps to 1.75% while the benchmark 10Y UST yield moved up just 0.5bps to 1.99%. The yield curves flattened.
- The greenback strengthened against all G10 currencies except the CAD which was boosted by the strong Canadian job data i.e., 10 ppts fall in unemployment rate. The JPY recorded the largest loss against the USD of nearly 1%, followed by the AUD and NZD as both fell around 0.8%. The dollar index jumped 0.6% to 99.12.
- USD/MYR strengthened by 0.2% to 4.1955, putting an end to the four-day long flattish performance. We continue to maintain a neutral view on USD/MYR, eyeing a range of 4.17-4.21 as the USD is expected to remain firm underpinned by haven demand as the Ukrainian crisis continues to unfold with the latest round of high-level cease fire talk proving futile. Malaysia will see the release of exports data for the month of February this Friday and this will likely have little influence over the MYR trajectory.
- Gold prices reversed recent gain, ticking 0.8% lower to \$1985/oz. Crude oil prices rebounded by over 3% on Friday after dropping for two straight sessions; Both WTI and Brent crude settled at \$109.33/barrel and \$112.67/barrel, closing out the volatile week with their first losses since the Ukraine-Russia war started.
- Stock futures are pointing down this morning in Japan and Hong Kong. China has put Shenzhen under lockdown as it attempts to mass-test the city's 17.5million citizens. Stock futures in Europe and the US ticked up this morning. Investors shift their attention to this week's FOMC meeting as the Fed is prepared to raise rates for the first time since the pandemic started.

US consumer sentiment plummeted on high inflation:

- The University of Michigan Consumer Sentiment plunged to 59.7 in March, from 62.8 in February; sentiment continued to fall due to falling inflation-adjusted incomes which was accelerated by the rising fuel prices following the Russian invasion of Ukraine. The survey showed that the year-ahead expected inflation

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	32,944.19	-0.69
S&P 500	4,204.31	-1.30
NASDAQ	12,843.81	-2.18
Stoxx 600	431.17	0.95
FTSE 100	7,155.64	0.80
Nikkei 225	25,162.78	-2.05
Hang Seng	20,553.79	-1.61
Straits Times	3,249.66	0.28
KLCI 30	1,568.22	-0.78
FX		
Dollar Index	99.12	0.63
EUR/USD	1.0912	-0.67
GBP/USD	1.3037	-0.37
USD/JPY	117.29	0.99
AUD/USD	0.7293	-0.88
USD/CNH	6.3580	0.49
USD/MYR	4.1955	0.16
USD/SGD	1.3629	0.26
Commodities		
WTI (\$/bbl)	109.33	3.12
Brent (\$/bbl)	112.67	3.05
Gold (\$/oz)	1,985.00	-0.77

Source: Bloomberg, HLBB Global Markets Research

rate rose to the highest level since 1981. Personal finances were expected to worsen in the year ahead and “consumers held very negative prospects for the economy, with the sole exception of the job market”

UK broad economy appeared resilient against Omicron outbreak:

- The UK nominal GDP rose 1.1% m/m in January, beating the consensus forecast of 0.8%; this followed the 1.0% growth in December, indicating that the Omicron outbreak has had little impact on the broad-based economy thus far. Industrial production rose 0.7% m/m (Dec: +0.3%), besting the forecast of 0.1% while construction output picked up 1.1% m/m (Dec: +2.0%), suggesting that the supply chain constraints had eased. The services output gained 0.8% m/m (Dec: -0.5%), rebounding from the Omicron-related weakness at the end of 2021. Meanwhile, the goods trade deficit widened to £26.5b in January, from £12.3b in the previous month as exports fell 15.8% m/m while imports gained 21.8% m/m.

Malaysia's industrial production growth slowed in January:

- The Industrial Production Index (IPI) expanded at a much slower than expected pace for the second month in a row, by 4.3% y/y in January (Dec: +5.9%) amid uneven recovery across the key sectors. Overall manufacturing output continued to lead nonetheless, despite increasing at a slower pace of 6.8% y/y in January (Dec: +8.4%). The electricity sector grew at a faster pace of 7.7% (Dec: +4.7%) while the mining sector saw a bigger decline of 5.1% y/y (Dec: -2.6%), dragged by continuous decline in crude oil (-13.9%) which offset the small 1.6% y/y gain in natural gas.
- January indicators released thus far point to patchy recovery in the Malaysian economy. There have been tentative signs of moderation in the external sector dampened by the earlier Omicron wave but the domestic sector appeared decent. The evolving Ukrainian crisis and related sanctions which has significantly driven up commodity prices ranging from oil & gas to metals and food, would further exacerbate the disruptions in global supply chain and hence, upside risks to inflation and downside risks to growth outlook. We may see increasing stagflationary concerns coming to the fore, which shall somewhat hold back the central bank's policy normalization pace.

House View and Forecasts

FX	This Week	1Q-22	2Q-22	3Q-22	4Q-22
DXY	97-100	96.15	96.40	96.30	96.30
EUR/USD	1.07-1.10	1.13	1.12	1.12	1.13
GBP/USD	1.29-1.32	1.34	1.33	1.35	1.36
AUD/USD	0.73-0.75	0.72	0.72	0.74	0.75
USD/JPY	115-117	115	116	115	114
USD/MYR	4.17-4.21	4.17	4.15	4.15	4.10
USD/SGD	1.35-1.37	1.35	1.34	1.34	1.33

Rates, %	Current	1Q-22	2Q-22	3Q-22	4Q-22
Fed	0.00-0.25	0.25-0.50	0.75-1.00	1.25-1.50	1.25-1.50
ECB	-0.50	-0.50	-0.50	-0.50	-0.50
BOE	0.50	0.75	1.00	1.00	1.00
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
14/03	Nil	
15/03	NZ Performance Services Index (Feb)	45.9

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CN Industrial Production YTD YoY (Feb)	9.6%
CN Fixed Assets Ex Rural YTD YoY (Feb)	4.9%
CN Retail Sales YTD YoY (Feb)	12.5%
UK Payrolled Employees Monthly Change (Feb)	108k
UK Average Weekly Earnings 3M/YoY (Jan)	4.3%
UK ILO Unemployment Rate 3Mths (Jan)	4.1%
UK Employment Change 3M/3M (Jan)	-38k
EZ ZEW Survey Expectations (Mar)	48.6
EZ Industrial Production SA MoM (Jan)	1.2%
US PPI Final Demand YoY (Feb)	9.7%
US Empire Manufacturing (Mar)	3.1

Source: Bloomberg

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