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Global Markets Research

Daily Market Highlights

14-June: Prospects of larger Fed hikes roiled markets

Selling pressure intensified in global equities & bonds

Investors mulled the prospects of a 75bp Fed rate hike this week

Greenback strengthened across the board; dollar index breached 105

- Global equities witnessed another day of bloodbath, with key indices falling 1-5% across as investors turned increasingly wary of a bigger quantum of Fed rate hikes after Friday's CPI data surprised on the upside and hit a fresh 40-year high. Fed fund futures are now pricing in a 75bp hike at the June and July FOMC meetings and odds of such a similar move at the September meeting has risen, bringing the Fed funds rate to 3.70% by year end.
- The Dow shed another 2.8% d/d while the S&P500 lost 3.9%, slumping into a bear market for the first time since 2020. The tech-heavy NASDAQ slumped 4.7%. Asian markets are poised for a lower opening and further selling pressure today following the overnight market meltdown.
- Sovereign bond yields also jumped across the board, almost to the tune of 30bps. The UST curve continued to bear-flattened, with the front-end benchmark 2Y yield jumping 29bps to 3.36% while the 10Y yield rose 21bps to 3.37%, its highest since 2011. The belly and the ultra-long end of the curve was mildly inverted, reigniting recession fear.
- The US dollar continued to strengthen its foothold for the 4th consecutive day, trading back up to the 105 handle for the first time in two decades, up another 0.9% d/d to 105.08. The AUD fell 1.9% d/d back below the 0.70 level at 0.6923 while the GBP lost 1.5% to 1.2134, its lowest in two years. The EUR shed 1.1% to 1.0409 while the JPY hung on to the 134 big figures supported by haven demand.
- USD/MYR closed 0.4% higher at 4.4175 on Monday. The pair is expected to track the broad dollar strength, breaching 4.4200 and targeting 4.4500 next. The pair was just short of reaching 4.4500, hitting as high as 4.4490 when the Covid-19 pandemic first shocked global markets in March 2020.
- Oil remained resilient in the face of the broad risk asset selloff, premised on the notion of a tight market supply. Brent crude rose 0.2% to \$122.27/barrel while WTI also picked up 0.2% to \$120.93/barrel.

UK economic activity slowed in April:

- The UK monthly nominal GDP fell 0.3% m/m in April, extending from the 0.1% decline in March, adding to signs of a broader slowdown in the economy as the BOE is set to raise its policy again this week.
- Industrial production fell 0.6% m/m (Mar: -0.2%) of which manufacturing output declined by 1.0% m/m. Construction fell 0.4% m/m (Mar: +1.7%) while services were down by 0.3% m/m (Mar: -0.2%), mainly reflecting the downward contribution from human health and social work amid a large reduction in Covid-19 "Test and Trace" activity.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	30,516.74	-2.79
S&P 500	3,749.63	-3.88
NASDAQ	10,809.23	-4.68
Stoxx 600	412.52	-2.41
FTSE 100	7,205.81	-1.53
Nikkei 225	26,987.44	-3.01
Hang Seng	21,067.58	-3.39
Straits Times	3,139.35	-1.33
KLCI 30	1,464.83	-1.95
FX		
Dollar Index	105.08	0.89
EUR/USD	1.0409	-1.05
GBP/USD	1.2134	-1.47
USD/JPY	134.42	0.01
AUD/USD	0.6923	-1.91
USD/CNH	6.7826	0.78
USD/MYR	4.4175	0.35
USD/SGD	1.3951	0.52
Commodities		
WTI (\$/bbl)	120.93	0.22
Brent (\$/bbl)	122.27	0.21
Gold (\$/oz)	1,828.00	-2.32

Source: Bloomberg, HLBB Global Markets Research

- The goods trade deficit narrowed to £20.9b (Mar: £23.9b) as exports rose 7.4% m/m and imports fell 1.6% m/m.

House View and Forecasts

FX	This Week	2Q-22	3Q-22	4Q-22	1Q-23
DXY	102-106	106.00	108.00	105.00	103.00
EUR/USD	1.03-1.06	1.02	1.00	1.01	1.03
GBP/USD	1.20-1.24	1.21	1.20	1.22	1.24
AUD/USD	0.68-0.71	0.69	0.68	0.69	0.70
USD/JPY	131-135	133.00	135.00	133.00	132.00
USD/MYR	4.40-4.45	4.38	4.40	4.38	4.35
USD/SGD	1.38-1.40	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	0.00	0.50	0.50
BOE	1.00	1.25	1.25	1.25	1.25
RBA	0.85	0.85	1.60	1.85	1.85
BOJ	-0.10	-0.10	-0.10	-0.10	-0.10
BNM	2.00	2.00	2.50	2.50	2.75

Source: HLBB Global Markets Research

Up Next

Date	Events	Prior
14/06	AU NAB Business Confidence (May)	10.0
	JP Industrial Production MoM (Apr F)	-1.3%
	UK Payrolled Employees Monthly Change (May)	121k
	UK Average Weekly Earnings 3M/YoY (Apr)	7.0%
	UK ILO Unemployment Rate 3Mths (Apr)	3.7%
	UK Employment Change 3M/3M (Apr)	83k
	EZ ZEW Survey Expectations (Jun)	-29.5
	US NFIB Small Business Optimism (May)	93.2
	US PPI Final Demand YoY (May)	11.0%
15/06	JP Core Machine Orders MoM (Apr)	7.1%
	AU Westpac Consumer Conf SA MoM (Jun)	-5.6%
	CN Industrial Production YoY (May)	-2.9%
	CN Retail Sales YoY (May)	-11.1%
	CN Fixed Assets Ex Rural YTD YoY (May)	6.8%
	EZ Industrial Production SA MoM (Apr)	-1.8%
	EZ Trade Balance SA (Apr)	-17.6b
	US MBA Mortgage Applications (10 Jun)	-6.5%
	US Empire Manufacturing (Jun)	-11.6
	US Retail Sales Advance MoM (May)	0.9%
	US Import Price Index YoY (May)	12.0%
	US NAHB Housing Market Index (Jun)	69

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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