14 October 2022

Global Markets Research

Daily Market Highlights

14 Oct: US equities overturned CPI-related losses

Upside surprises in US CPI dampened hopes of a Fed pivot

Equities shrugged off early session losses to close with sharp gains

UST curve bear flattened; DXY retreated to the 112 handles

- Stocks staged a massive comeback Thursday, reversing all CPI-triggered selloff and on speculation the yearlong selloff had reached the bottom. The Dow Jones Industrial Average surged 2.8%, the S&P 500 climbed 2.6%, breaking a six-day losing streak while the Nasdaq Composite gained 2.2%. On the earnings front, Delta Air Lines Inc., Domino's Pizza Inc., and Walgreens Boots Alliance Inc. gained on better-than-expected results. Big banks including JPMorgan Chase & Co. and Citigroup Inc. are due to report on Friday.

- The Treasury yield curve, meanwhile, flattened with the yield on policy-sensitive 2-year notes up 17bps to 4.47%. Market bets on rates now lean towards a back-to-back 75 hikes at the next 2 Fed meetings. The 10 and 30-years notes yields were up 5bps and 4bps respectively to 3.94% and 3.92%. The 30-year yields briefly rallied over 4.00% the first time since 2011, as the inflation numbers dashed hopes of a Fed pivot.

- The Dollar Index, meanwhile, took a break from its recent upward trend, declining 0.8% d/d to 112.36 led by a stronger EUR as well as GBP. GBP surged 2.0% d/d on reports that government officials are working on a U-turn tax cut. Gilts also rallied, with the yield on 30-year debt dropping 26bps to 4.54%. FTSE100 were also up slightly by 0.4%. The Japanese Yen on the other hand, sank to its lowest in more than 30 years, depreciating 0.1% d/d to 147.12, raising market chatter of potential intervention. MYR continued to register losses against the USD, down 0.2% d/d to 4.6935, fast approaching the 4.70 levels. On the contrary, the SGD strengthened for another day, by 0.3% to 1.4307.

- Oil gained for the first time with the West Texas Intermediate rising 2.1% d/d to $89.11/barrel while the Brent rose 2.3% d/d to $94.73/barrel as US crude report flagged potential bullish drivers and markets shrugged off upbeat U.S. inflation data. Gold prices, meanwhile, pared an early day decline to end the day flat at $1,670/oz.

US core-CPI quickened more than expected to +6.6%, jobless claims up but at a slower pace:

- Growth in the Consumer Price Index (CPI) accelerated more than expected at +0.4% m/m in September (August: +0.1% m/m; consensus: +0.2% mom). On a y/y basis, prices moderated less than expected to +8.2% y/y (Aug: +8.3%; consensus: +8.1%). More importantly, core-inflation accelerated to +6.6% y/y, outpacing August's +6.3% y/y and consensus forecast of 6.5%. On

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	30,038.72	2.83
S&P 500	3,669.91	2.60
NASDAQ	10,649.15	2.23
Stoxx Eur 600	389.15	0.85
FTSE 100	6,850.27	0.35
Nikkei 225	26,237.42	-0.60
Hang Seng	16,389.11	-1.87
Straits Times	3,040.45	-1.39
KLCI 30	1,373.36	-0.52
FX		
Dollar Index	112.36	-0.84
EUR/USD	0.9776	0.75
GBP/USD	1.1326	2.04
USD/JPY	147.12	0.14
AUD/USD	0.6298	0.32
USD/CNH	7.1773	0.03
USD/MYR	4.6935	0.20
USD/SGD	1.4307	-0.32
Commodities		
WTI ($/bbl)	89.11	2.11
Brent ($/bbl)	94.57	2.29
Gold ($/oz)	1,670.00	-0.02
Copper ($$/MT)	7,573.00	0.37
Aluminum($/MT)	2,359.50	2.36
CPO (RM/tonne)	3,633.50	0.97

Source: Bloomberg, HLBB Global Markets Research a m/m basis, increases in the shelter, food, and medical care indexes were the largest contributors to the increase but these increases were partly offset by a 4.9% decline in the gasoline index. The food index continued to rise, increasing 0.8% m/m.

- For the week ending 8-October, initial jobless claims grew, albeit at a less than expected pace of 9k to 228k, close to pre-pandemic low. This is compared to an increase of +19k the previous week. Continuing claims, a proxy for the number of people receiving ongoing unemployment benefits, increased to 1.36m in the week ended Sept. 24 from 1.35m earlier.
- Real average hourly earnings in the US decreased 0.1% m/m in September (August: +0.2% m/m) as an increase of 0.3% in average hourly earnings was outstripped by a 0.4% m/m in inflation. On a y/y basis, real average hourly earnings decreased at a faster pace of 3.0% y/y (August: -2.8% y/y), reaffirming that inflation continued to bite.

UK's RICS house price balance retreated amid lower optimism on the housing market:

- RICS house price balance, measuring the difference between the percentage of surveyors reporting price rises and those seeing a fall, fell sharply to +32 in September from +51 in August, signalling a slowdown in price growth. September's reading was the weakest since July 2020, and a separate balance for sales volumes was the most negative since May 2020. Even though the headline price balance remains in positive territory for now, storm clouds are visible in the deterioration of near-term expectations for both pricing and sales.

Japan's PPI rose more than expected:

- The Producer Price Index rose more than forecast at +0.7% m/m in September, faster than consensus forecast of +0.3% m/m as well as +0.2% m/m the previous month. The higher-than-expected price was due to Import Price Index (+0.2% m/m) while the Export Price Index fell 0.5% m/m. Electric power, gas and water were the main contributor to the increase followed by scrap and waste.

Australia's Inflation expectations flat in October, wage conditions remained weak:

- The October 2022 Survey of Consumer Inflationary Expectations was unchanged in October at 5.4%. Total pay, nevertheless, is expected to grow by 0.9% over the next 12 months. The expected inflation data is consistent with a moderation in consumer inflation expectations observed since June 2022 as consumers appear to be responding to significantly tighter monetary policy. Wage conditions (both actual and expected) continue to be weak, with only 38.4% of respondents reporting a rise in total pay over the year to October 2022.

Singapore GDP expanded by 4.4% in 3Q, MAS re-centre the mid-point of the S$NEER policy band up to its prevailing level.

- Singapore economy grew by 4.4% y/y in 3Q2022, easing slightly from +4.5% y/y from the prior quarter but significantly higher than consensus estimate of +3.5% y/y. On a q/q basis, the economy also rebounded to grow by 1.5% y/y, a turnaround from the 0.2% in 2Q. On a sectoral basis, slower growth in the manufacturing sector was supported by higher growth in the construction and services sector on a y/y basis. The manufacturing sector expanded by 1.5% y/y (2Q: +5.7% y/y), dragged lower by declines in the electronics and chemicals clusters. The construction sector grew at a faster pace of +7.8% y/y, supported in part by the easing of border restrictions on the inflow of migrant workers. Growth in the services sector was also stronger at +6.1% y/y (2Q: +4.8% y/y), with higher growth across board with the exception of Information & Communications, Finance & Insurance and Professional Services.

- The Monetary Authority of Singapore (MAS) also announced it would re-centre the mid-point of the Singapore dollar nominal effective exchange rate (S$NEER) to its prevailing level, with no changes to the slope and width of the band. This policy shift is expected to reduce imported inflation and help curb domestic cost pressures, help dampen inflation in the near term and ensure medium-term price stability.

House View and Forecasts

FX	This Week	4Q-22	1Q-23	2Q-23	3Q-23
DXY	110-115	115.00	112.70	110.45	110.00
EUR/USD	0.95-1.00	0.95	0.97	0.98	0.98
GBP/USD	1.00-1.03	1.10	1.10	1.11	1.12
USD/JPY	143-148	147.00	146.00	145.00	144.00
AUD/USD	0.63-0.67	0.62	0.63	0.64	0.64
USD/MYR	4.65-4.70	4.68	4.64	4.62	4.60
USD/SGD	1.42-1.45	1.45	1.44	1.42	1.40

Rates, %	Current	4Q-22	1Q-23	2Q-23	3Q-23
Fed	3.00-3.25	4.25-4.50	4.25-4.50	4.25-4.50	4.25-4.50
ECB	1.25	2.75	2.75	2.75	2.75
BOE	2.25	3.25	3.25	3.25	3.25
BOJ	-0.10	-0.10	-0.10	-0.10	-0.10
RBA	2.60	3.10	3.10	3.10	3.10
BNM	2.50	2.75	3.00	3.00	3.00

Source: HLBB Global Markets Research

Up Next

Date	Events	Prior
13-16/10	CH 1-Yr Medium-Term Lending Facility Rate	2.75%
14/10	NZ BusinessNZ Manufacturing PMI (Sep)	54.9
	CH PPI YoY (Sep)	2.30%
	CH CPI YoY (Sep)	2.50%
	EC Trade Balance SA (Aug)	-40.3b
	US Retail Sales Advance MoM (Sep)	0.30%
	US Import Price Index MoM (Sep)	-1.00%
	US Export Price Index MoM (Sep)	-1.60%
	US U. of Mich. Sentiment (Oct P)	--
	CH Exports YoY (Sep)	7.10%
17-Oct	NZ Performance Services Index (Sep)	58.6
	UK Rightmove House Prices MoM (Oct)	0.70%
	SI Non-oil Domestic Exports SA MoM (Sep)	-3.90%
	SI Electronic Exports YoY (Sep)	-4.50%
	JN Tertiary Industry Index MoM (Aug)	-0.60%
	JN Industrial Production MoM (Aug F)	2.70%
	JN Capacity Utilization MoM (Aug)	2.40%
	US Empire Manufacturing (Oct)	-1.5

Source: Bloomberg

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