

14 November 2022

Global Markets Research

Daily Market Highlights

14 Nov: NASDAQ shrugged off the decline in crypto

DXY fell as CPI smacked Fed rate hike bets

Oil prices jumped as China eased quarantine curbs

Malaysia 3Q GDP expanded at a solid pace of 14.2%

- The Nasdaq Composite added 1.9% d/d on Friday as tech stocks shook off a decline in cryptocurrencies, after FTX filed for bankruptcy protection and CEO Sam Bankman-Fried resigned. Meanwhile, Dow Jones Industrial Average gained 0.1% d/d, while S&P 500 rose by 0.9% d/d. Citigroup shares, specifically gained more than 10% over the past two trading sessions. European stocks were mixed on Friday as the buoyance triggered by a softer-than-expected U.S. consumer price index reading fizzled out. Stoxx Eur 600 closed fractionally above the flatline, while FTSE 100 dipped 0.8% d/d. Investor optimism was boosted early on Friday after China said it would ease some Covid measures, which sent Hong Kong's Hang Seng index soaring by 7.8% d/d.
- The US Treasury sold 30-year bonds Thursday afternoon at a rate of 4.08%, below their 4.113% yield when-issued trading just before the deadline, a sign demand was stronger than dealers anticipated. As it is, the yield for the 2-year and 10-year currently stood at 4.33% and 3.81% as at Thursday's close as the UST markets were closed for Veteran Day on Friday.
- The Dollar had its worst day since 2009 as CPI smacked Fed rate hike bets. The DXY fell 1.8% d/d to 106.29, with the yen surging 1.5% d/d, one of the leading gainers amongst the G10. EUR rose as much as 1.4% d/d, while sterling appreciated 1.0% d/d. Over in Asia, most currencies strengthened vis-à-vis USD led by the Korean won. Ringgit was one of the top performers, staying below the 4.70 level and appreciating by 1.6% d/d to 4.6220, its strongest level since end-September.
- Oil prices jumped by more than 2% after health authorities in China eased some of the country's heavy COVID curbs, raising hopes for improved economic activity and demand in the world's top crude importer. Brent crude rose 2.5% d/d, while the U.S. West Texas Intermediate (WTI) crude gained 2.9% d/d. Gold prices, meanwhile, gained 0.9% d/d as signs of cooling U.S. inflation bolstered bets that the Federal Reserve would be less hawkish on rate hikes going forward.

US University of Michigan consumer sentiment fell; inflation expectations ticked slightly up

- Preliminary estimate from the University of Michigan consumer sentiment for November fell to 54.7, erasing about half of the gains that had been recorded since the historic low in June. All components of the index declined

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	33,747.86	0.10
S&P 500	3,992.93	0.92
NASDAQ	11,323.33	1.88
Stoxx Eur 600	432.26	0.09
FTSE 100	7,318.04	-0.78
Nikkei 225	28,263.57	2.98
Hang Seng	17,325.66	7.74
Straits Times	3,228.33	1.74
KLCI 30	1,468.21	1.27
FX		
Dollar Index	106.29	-1.77
EUR/USD	1.0347	1.35
GBP/USD	1.1830	0.97
USD/JPY	138.81	-1.54
AUD/USD	0.6703	1.27
USD/CNH	7.0920	-0.84
USD/MYR	4.6220	-1.61
USD/SGD	1.3718	-0.77
Commodities		
WTI (\$/bbl)	88.96	2.88
Brent (\$/bbl)	95.99	2.48
Gold (\$/oz)	1,769.40	0.90
Copper (\$\$/MT)	8,492.50	2.67
Aluminum(\$/MT)	2,463.50	5.87
CPO (RM/tonne)	4,042.50	-2.36

Source: Bloomberg, HLBB Global Markets Research

from last month, but buying conditions for durables, which had markedly improved last month, decreased most sharply in November, falling back 21% on the basis of high interest rates as well as continued high prices. Inflation expectations are little changed. The median expected year-ahead inflation rate was 5.1%, up from 5.0% last month. Long run inflation expectations, currently at 3.0%, have remained in the narrow (albeit elevated) 2.9-3.1% range for 15 of the last 16 months.

European Commission lifted 2022 GDP growth forecast to 3.2% for the Euro area

- Amid elevated uncertainty, high energy price pressures, erosion of households' purchasing power, a weaker external environment and tighter financing conditions, these are expected to tip the Eurozone into recession in 4Q. Still, because of the momentum from 2021 and strong growth in 1H, the European Commission (EC) lifted its real GDP growth forecast for 2022 to 3.3% in the EU and 3.2% in the euro area, well above the 2.7% projected in the Summer Interim Forecast. Growth is expected at +0.3% in 2023 as a whole in both the EU and the euro area and averaging 1.6% in the EU and 1.5% in the euro area in 2024. The EC also raised its CPI projection for 2022 to 9.3% in the EU and 8.5% in the euro area. Inflation is expected to decline in 2023, but to remain high at 7.0% in the EU and 6.1% in the euro area, before moderating in 2024 to 3.0% and 2.6% respectively.

UK GDP shrank 0.2% q/q and grew slower by 2.4% y/y in 3Q

- Jeremy Hunt has warned of a "tough road ahead" after Britain's economy shrank in the three months to September, in what is expected to be the beginning of a lengthy recession. In its first estimate of growth 3Q, GDP fell by 0.2% q/q (2Q: +0.2% q/q) as households and businesses struggled with soaring inflation, while there was also a hit to activity as businesses closed for the extra bank holiday for the funeral of Queen Elizabeth II. Consequently, activity in the service sector ground to a halt, with zero growth over the quarter. On an annual basis, growth moderated sharply from +4.4% y/y to +2.4% y/y.

Japan PPI slowed to 0.6% m/m

- Japan's Producer Price Index slowed to +0.6% m/m in October from +1.0% m/m previously as both export and import prices turned contractionary at -0.5% m/m and -1.9% m/m. Charges for summer electricity, nevertheless, rose 0.8% m/m.

New Zealand PMI shrank for the first time in 2022

- According to the latest BNZ-BusinessNZ Performance of Manufacturing Index (PMI), New Zealand's manufacturing sector fell into contraction for the first time in 2022 at 49.3. New orders fell while the PMI stocks index remains expansionary and firmly above its long-term norms. A low orders-to-inventory ratio typically bodes ill for production ahead.
- Separately, food prices, which make up nearly 19% of the CPI rose 0.8% m/m in October, led by higher meat, poultry, and fish prices (+2.7% m/m), grocery food prices (+1.8% m/m), non-alcoholic beverage prices (+2.0% m/m) and restaurant meals and ready-to-eat food prices (+1.0% m/m).

Hong Kong shaved 2022 GDP growth forecast to -3.2%

- Taking into account the worse-than-expected economic performance in the first 3 quarters of 2022 and markedly deteriorating external sector, the Hong Kong Government revised its real GDP growth forecast for 2022 downwards

sharply to -3.2% from -0.5% to 0.5% previously. This is significantly below IMF's projection of -0.8%. At the same time, with inflation rate at 1.7% for the for the first 9 months of the year, the government also revised forecast rate of underlying CPI down to 1.8% from 2.0% and headline inflation to 1.9% from 2.1%.

Malaysia GDP shot up to 14.2% y/y in 3Q; current account surplus widened to 3.1% of GDP

- The Malaysian economy registered a hefty growth of 14.2% y/y in 3Q (2Q: 8.9%), bringing YTD to +9.3% y/y. Growth in 3Q was primarily due to; 1) half driven by low base effect; 2) strong domestic demand, underpinned by a favourable employment market; 3) pent up demand, in particularly revenge tourism; and 4) supported by still strong demand for electronics and electrical goods. On the supply side, the services and manufacturing sectors benefitted from this to drive growth. YTD, the Malaysian economy expanded by 9.3% y/y, and we have revised our full year 2022 growth forecast higher to 8.0-8.2% (previous +7.4%)
- The current account of the balance of payments recorded a higher surplus of RM14.1bn or 3.1% of GDP during the quarter (2Q: RM4.4bn or 1.0% of GDP). The goods account registered a higher surplus of RM43.0bn (2Q: RM34.0bn), while the services deficit narrowed to RM9.6bn (2Q: -RM12.3bn) mainly on account of higher travel and transport receipts amid improvement in inbound tourist arrivals. The income account registered a higher deficit due mainly to lower investment income generated by Malaysian firms investing abroad.

House View and Forecasts

FX	This Week	4Q-22	1Q-23	2Q-23	3Q-23
DXY	105-110	115.00	112.70	110.45	110.00
EUR/USD	0.99-1.05	0.95	0.97	0.98	0.98
GBP/USD	1.15-1.20	1.10	1.10	1.11	1.12
USD/JPY	137-145	147.00	146.00	145.00	144.00
AUD/USD	0.64-0.68	0.62	0.63	0.64	0.64
USD/MYR	4.60-4.70	4.68	4.64	4.62	4.60
USD/SGD	1.36-1.40	1.45	1.44	1.42	1.40

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	2.85	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
14-Nov	NZ Performance Services Index (Oct)	55.8
	UK Rightmove House Prices MoM (Nov)	0.90%
	EC Industrial Production SA MoM (Sep)	1.50%
15-Nov	NZ REINZ House Sales YoY (Oct)	-10.90%
	JN GDP SA QoQ (3Q P)	0.90%
	CH Industrial Production YoY (Oct)	6.30%
	CH Retail Sales YoY (Oct)	2.50%
	CH Fixed Assets Ex Rural YTD YoY (Oct)	5.90%
	CH Surveyed Jobless Rate (Oct)	5.50%
	JN Industrial Production MoM (Sep F)	-1.60%

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

UK ILO Unemployment Rate 3Mths (Sep)	3.50%
EC ZEW Survey Expectations (Nov)	-59.7
EC Trade Balance SA (Sep)	-47.3b
EC Employment QoQ (3Q P)	0.40%
EC GDP SA QoQ (3Q P)	0.20%
US Empire Manufacturing (Nov)	-9.1
US PPI Final Demand YoY (Oct)	8.50%

Source: Bloomberg

DISCLAIMER

This report is for information purposes only and does not take into account the investment objectives, financial situation or particular needs of any particular recipient. The information contained herein does not constitute the provision of investment advice and is not intended as an offer or solicitation with respect to the purchase or sale of any of the financial instruments mentioned in this report and will not form the basis or a part of any contract or commitment whatsoever.

The information contained in this publication is derived from data obtained from sources believed by Hong Leong Bank Berhad ("HLBB") to be reliable and in good faith, but no warranties or guarantees, representations are made by HLBB with regard to the accuracy, completeness or suitability of the data. Any opinions expressed reflect the current judgment of the authors of the report and do not necessarily represent the opinion of HLBB or any of the companies within the Hong Leong Bank Group ("HLB Group"). The opinions reflected herein may change without notice and the opinions do not necessarily correspond to the opinions of HLBB. HLBB does not have an obligation to amend, modify or update this report or to otherwise notify a reader or recipient thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

HLB Group, their directors, employees and representatives do not have any responsibility or liability to any person or recipient (whether by reason of negligence, negligent misstatement or otherwise) arising from any statement, opinion or information, expressed or implied, arising out of, contained in or derived from or omission from the reports or matter.

Potential and actual conflict of interest may arise from the activities of HLB Group. HLB Group constitute a diversified financial services group. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, hedging transactions and other activities for their own account or the account of others. In the ordinary course of their business, HLB Group may effect transactions for their own account or for the account of their customers and hold long or short positions in the financial instruments. HLB Group, in connection with its business activities, may possess or acquire material information about the financial instruments. Such activities and information may involve or have an effect on the financial instruments. HLB Group have no obligation to disclose such information about the financial instruments or their activities.

The past performance of financial instruments is not indicative of future results. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Any projections or forecasts mentioned in this report may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information. No assurance can be given that any opinion described herein would yield favourable investment results. Recipients who are not market professional or institutional investor customer of HLBB should seek the advice of their independent financial advisor prior to taking any investment decision based on the recommendations in this report.

HLBB may provide hyperlinks to websites of entities mentioned in this report, however the inclusion of a link does not imply that HLBB endorses, recommends or approves any material on the linked page or accessible from it. Such linked websites are accessed entirely at your own risk. HLBB does not accept responsibility whatsoever for any such material, nor for consequences of its use.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. This report is for the use of the addressees only and may not be redistributed, reproduced or passed on to any other person or published, in part or in whole, for any purpose, without the prior, written consent of HLBB. The manner of distributing this report may be restricted by law or regulation in certain countries. Persons into whose possession this report may come are required to inform themselves about and to observe such restrictions. By accepting this report, a recipient hereof agrees to be bound by the foregoing limitations.