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 it 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%

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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