14 December 2022

Global Markets Research

Daily Market Highlights

14 Dec: US stocks notched gains post CPI data

Benchmark US equity indices rallied across; but pared gains from intraday high at close

CPI eased more than expected to +7.1% y/y in November

DXY dived below 104; Sterling hit a six-month high of 1.2438

- Stocks rallied after the release of US inflation data, but stayed cautious later while waiting for the key Federal Reserve policy decision. The Dow narrowed gains to 0.3% d/d (+104 points) at close after surging more than 700 points earlier in the day. The S&P 500 added 0.7% d/d to close above 4k, while the Nasdaq Composite rose 1.0% d/d. At session highs, the S&P 500 was up 2.7%, while the Nasdaq advanced 3.8%. European markets also rallied as the US inflation figures came in lower than forecast. Stoxx 600 closed 1.3% d/d, while the FTSE gained 0.8% d/d. Similarly, Asia-Pacific shares traded in positive territory with Nikkei 225 and Straits Times up 0.4% d/d and 1.0% d/d respectively. Hang Seng index was up 0.7% d/d after Chief Executive John Lee announced further easing of Covid restrictions.

- Treasury yields slid, led by the front end, after the data showing inflation rose less than expected for November fuelled hope that the Federal Reserve will slow the pace of rate hikes. Swap pricing for the Fed terminal rate is now pared down to 4.88% in May 2023. The yield on the benchmark 10-year Treasury dropped 11bps to 3.51%, after earlier falling below the 3.5% level. The 2-year Treasury yield was last down by nearly 16bps to 4.22%.

- The British pound and euro both gained around 1.0% against the dollar, with sterling hitting a six-month high of 1.2438 against the greenback shortly after the announcement. Against the yen, the dollar nosedived 1.5% d/d. The Dollar Index, measuring the US unit's value versus six major currencies, fell 1.1% d/d to 103.98. The Dollar, nevertheless, strengthened 0.2% d/d against Ringgit.

- Oil prices rallied for second day as inflation data brighten outlook for soft landing while bad weather delayed initial efforts to restart the Keystone pipeline, initially targeted on Dec 14. Brent jumped 3.5% d/d, while West Texas Intermediate (WTI) gained 3.0% d//d. Prices for gold also climbed to its highest levels in more than five months after rising 1.9% d/d.

US CPI eased more than expected; but remains top business concern

- Prices rose less than expected in November, the latest sign that the runaway inflation that has been gripping the economy is beginning to loosen up. CPI rose just 0.1% m/m (consensus: +0.3% m/m, Oct: +0.4% m/m) and 7.1% y/y (consensus: +7.3% y/y, Oct: +7.7% y/y). Core CPI also showed signs of softening and deceleration, rising 0.2% m/m and 6.1% y/y. Falling energy prices helped keep inflation at bay with a 1.6% m/m decline. Food prices,

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	34,108.64	0.30
S&P 500	4,019.65	0.73
NASDAQ	11,256.81	1.01
Stoxx Eur 600	442.60	1.29
FTSE 100	7,502.89	0.76
Nikkei 225	27,954.85	0.40
Hang Seng	19,596.20	0.68
Straits Times	3,271.28	0.98
KLCI 30	1,470.12	-0.29
FX		
Dollar Index	103.98	-1.09
EUR/USD	1.0633	0.91
GBP/USD	1.2366	0.79
USD/JPY	135.59	-1.51
AUD/USD	0.6855	1.63
USD/CNH	6.9639	-0.37
USD/MYR	4.4285	0.24
USD/SGD	1.3469	-0.59
Commodities		
WTI ($/bbl)	75.39	3.03
Brent ($/bbl)	80.68	3.45
Gold ($/oz)	1,813.90	1.88
Copper ($$/MT)	8,497.00	1.47
Aluminum($/MT)	2,461.00	1.95
CPO (RM/tonne)	3,808.00	-3.95

Source: Bloomberg, HLBB Global Markets Research however, rose 0.5% m/m. Shelter costs, which make up about one-third of CPI weighting, continued to escalate, rising 0.6% m/m.

- The easing of inflation pressures helped give workers a lift after months of seeing wage increases fall well short of inflation. Real average hourly earnings rose 0.5% m/m for the same month, though they were still down 1.9% y/y (Oct: -2.7%).
- The Small Business Optimism Index rose above expectation by 0.6 points in November to 91.9. Nevertheless, it should be noted that November's reading is the 11th consecutive month below the 49-year average of 98. Inflation remains the top business problem for small business owners, with 32% of owners reporting it as their single most important problem in operating their business, 5 points lower than July's highest reading since 4Q of 1979.

Eurozone ZEW Economic Sentiment improved for the 3rd month to -23.3

- The ZEW Indicator of Economic Sentiment for Germany increased by 13.4 points to -23.3 points in December, the third consecutive rise since September 2022 and was above expectation. The financial market experts' sentiment concerning the economic development of the eurozone increased by 15.1 points to -23.6, situation indicator climbed 7.7 points to -57.4, while inflation expectations for the Eurozone fell very sharply to -79.3 points, 27.1 points m/m below November value.

UK unemployment rate rose again but pay growth keeps BOE on edge

- The unemployment rate matched consensus, edging up to 3.7% in the three months to Oct from 3.6% in the three months to Sept. Vacancies in the Sept-to-Nov period, meanwhile, continued with its downward trend. Still, at 1.12m, job openings remain above pre-pandemic norms. Nevertheless, regular pay rose by a stronger-than-expected 6.1% in the Aug-to-Oct period, the biggest gain since records began in 2001, excluding jumps during the COVID-19 pandemic which were distorted by lockdowns and government support measures

Hong Kong IPI fell 0.6%, PPI decelerated to +0.4%

- Industrial production for manufacturing industries decreased by 0.6% y/y in 3Q (+2Q: +2.7%), led by declines in the textiles and wearing apparel industry; the metal, computer, electronic and optical products, machinery and equipment industry; the food, beverages and tobacco industry; and the paper products, printing and reproduction of recorded media industry.
- Producer price index (PPI), meanwhile, decelerated to +0.4% y/y in 3Q (2Q: +0.8% y/y), noting that a decrease in producer price was recorded in the metal, computer, electronic and optical products, machinery and equipment industry.

Australian consumer and business sentiment converged

- Australia's consumer sentiment remained deeply pessimistic and business confidence turned negative for the first time this year as rapid-fire interest rate increases dragged on the economy. Westpac's consumer sentiment rose to 80.3 in December, recovering from a 2.5-year low of 78.0 while pessimists easily outweighed optimists. There are early signs that households are acting on that sentiment, with data from the Commonwealth Bank of Australia showing its household consumption intentions index rising by only 3.2% y/y in November, down from a peak of 15.2% in August.
- Business confidence turned negative in November (-4 vs 0 in October), falling below zero for the first time since December 2021, while conditions remained elevated at +20 index points despite easing 2ppts for the month. Conditions remain strong across industries with only construction and finance, business & property recording slight softening. Overall, the survey suggests the

economy powered through November with consumers still spending in the run up to Christmas, but firms have become increasingly pessimistic about the future.

New Zealand home sales and prices fell as interest rates bite

- New Zealand house prices fell in November as rising interest, access to finance and concerns around the economy created uncertainty in the market. According to REINZ, house sales plunged 36.1% y/y after Oct's -34.7% y/y. In tandem with this, median home prices also fell 12/4% y/y.

House View and Forecasts

FX	This Week	4Q-22	1Q-23	2Q-23	3Q-23
DXY	103-106	100.00	98.00	96.04	96.04
EUR/USD	1.04-1.07	1.08	1.10	1.11	1.11
GBP/USD	1.21-1.25	1.25	1.26	1.27	1.27
USD/JPY	133-137	133	130	128	128
AUD/USD	0.67-0.69	0.69	0.70	0.72	0.72
USD/MYR	4.40-4.45	4.36	4.31	4.28	4.28
USD/SGD	1.34-1.37	1.33	1.32	1.30	1.30

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	3.10	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-Dec	JN Core Machine Orders YoY (Oct)	2.90%
	JN Tankan Large Mfg Index (4Q)	8
	JN Industrial Production MoM (Oct F)	-2.60%
	UK CPI YoY (Nov)	11.10%
	UK PPI Output NSA MoM (Nov)	0.90%
	UK PPI Input NSA MoM (Nov)	0.80%
	EC Industrial Production SA MoM (Oct)	0.90%
	US MBA Mortgage Applications	-1.90%
	US Import Price Index MoM (Nov)	-0.20%
	US Export Price Index MoM (Nov)	-0.30%
15-Dec	US FOMC Rate Decision	3.75-4.00%
	NZ GDP YoY (3Q)	0.40%
	JN Exports YoY (Nov)	25.30%
	AU Consumer Inflation Expectation (Dec)	6.00%
	AU Unemployment Rate (Nov)	3.40%
	CH 1-Yr Medium-Term Lending Facility Rate	2.75%
	CH Industrial Production YoY (Nov)	5.00%
	CH Retail Sales YoY (Nov)	-0.50%
	CH Fixed Assets Ex Rural YTD YoY (Nov)	5.80%
	CH Surveyed Jobless Rate (Nov)	5.50%
	UK Bank of England Bank Rate	3.00%
	EC ECB Main Refinancing Rate	2.00%
	US Empire Manufacturing (Dec)	4.5
	US Retail Sales Advance MoM (Nov)	1.30%
	US Initial Jobless Claims	230k
	US Philadelphia Fed Business Outlook (Dec)	-19.4
	US Industrial Production MoM (Nov)	-0.10%
	US Business Inventories (Oct)	0.40%

Source: Bloomberg

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