15 February 2022

Global Markets Research

Daily Market Highlights

15-Feb: Russia-West tensions weighed on markets

Gold and dollar backed by haven demand on heightened geopolitical tensions

Global stocks tumbled; treasury yields rebounded on Bullard's remarks

WTI topped $95/barrel for the first time since 2014

- US stocks tracked the selloff in global equities overnight, extending the losing streak to three-day as the markets weighed the US warning of a Russia-Ukraine military confrontation against potential diplomatic solutions while contemplating possibly more aggressive rate hikes on the part of the Federal Reserve.

- The Dow Jones fell 0.5%; the S&P 500 lost 0.4% while tech-focus NASDAQ was unchanged. Stocks had also fallen in Europe and Asia earlier; the pan-European STOXX Europe 600 dropped 2.5%, its steepest single-day fall since late November last year. The Nikkei 225 lost 2.2% and Hang Seng slipped 1.4%.

- Treasury yields rebounded amid choppy trading, in reaction to St. Louis Fed president James Bullard's hawkish remarks that called for a faster pace of rate hike as well as a full-percentage-point hike by 1 July. The yield on the benchmark 10Y UST rose 5bps to 1.99% after plunging 9bps in the previous session.

- The dollar remained backed by haven demand although the flight to safety appeared to have eased somewhat as reflected in the yen retreat; the Swiss franc picked up modestly. The greenback strengthened against most G10 currencies; the dollar index closed higher (+0.3%) for the third consecutive session.

- USD/MYR closed virtually unchanged at 4.1895 on the back of cautious sentiment. In the week ahead, we remain neutral to bullish on USD/MYR, as the greenback may be supported by its safe-asset quality amid the potential military confrontation by Russia towards Ukraine.

- Gold prices surged 1.5% to $1868/oz on haven rally; Oil prices surged on the elevated geopolitical tensions that may risk Russian oil supply to Europe. Brent crude rose 2.2% to $96.48/barrel. Notably, the US WTI jumped 2.5% to $95.46/barrel and marked its first time topping $95/barrel since 2014.

Japan's 4Q economy expanded before Omicron wave:

- A preliminary report showed that Japan's 4Q21 GDP growth missed expectations at 1.3% q/q, compared to the Bloomberg consensus forecast of 1.5%. This was however, accompanied by the upward revision of 3Q21 growth to a smaller contraction of -0.7% (versus -0.9% prior). In 4Q, growth was driven mostly by a 2.7% q/q rebound in private consumption (+1.4ppts) following the slump in Covid-19 cases and the loosening of restrictions before the restrictions were reintroduced to curb the Omicron wave in January. A positive net export (+0.2ppts) also contributes to 4Q growth, reflecting the solid global demand.
- On a year-on-year basis, the Japanese economy expanded by 0.7% (3Q: +1.2%) while for the full year of 2021, GDP growth turned around to +1.7%, from the 4.5% contraction in 2020.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	34,566.17	-0.49
S&P 500	4,401.67	-0.38
NASDAQ	13,790.92	0.00
Stoxx 600	460.96	-1.83
FTSE 100	7,531.59	-1.69
Nikkei 225	27,079.59	-2.23
Hang Seng	24,556.57	-1.41
Straits Times	3,421.20	-0.23
KLCI 30	1,583.84	0.31
FX		
Dollar Index	96.37	0.30
EUR/USD	1.1307	-0.38
GBP/USD	1.3528	-0.27
USD/JPY	115.54	0.10
AUD/USD	0.7127	-0.14
USD/CNH	6.3575	-0.13
USD/MYR	4.1895	-0.02
USD/SGD	1.3471	0.00
Commodities		
WTI ($/bbl)	95.46	2.53
Brent ($/bbl)	96.48	2.16
Gold ($/oz)	1,868.00	1.48

Source: Bloomberg, HLBB Global Markets Research

House View and Forecasts

FX	This Week	1Q-22	2Q-22	3Q-22	4Q-22
DXY	95-97	96.15	96.40	96.30	96.30
EUR/USD	1.13-1.15	1.13	1.12	1.12	1.13
GBP/USD	1.34-1.36	1.34	1.33	1.35	1.36
AUD/USD	0.70-0.72	0.72	0.72	0.74	0.75
USD/JPY	114-116	115	116	115	114
USD/MYR	4.17-4.22	4.17	4.15	4.15	4.10
USD/SGD	1.34-1.35	1.35	1.34	1.34	1.33

Policy Rate %	Current	1Q-22	2Q-22	3Q-22	4Q-22
Fed	0-0.25%	0-0.25	0.25-0.50	0.50-0.75	0.75-1.00
ECB	-0.50	-0.50	-0.50	-0.50	-0.50
BOE	0.50	0.50	0.50	0.50	0.75
RBA	0.10	0.10	0.10	0.10	0.25
BOJ	-0.10	-0.10	-0.10	-0.10	-0.10
BNM	1.75	1.75	1.75	1.75	2.00

Source: HLBB Global Markets Research

Up Next

Date	Events	Prior
15/02	JP Industrial Production MoM (Dec F)	-1.0%
	UK Jobless Claims Change (Jan)	-43.3k
	UK Average Weekly Earnings 3M/YoY (Dec)	4.2%
	UK ILO Unemployment Rate 3Mths (Dec)	4.1%
	UK Employment Change 3M/3M (Dec)	60k
	EZ ZEW Survey Expectations (Feb)	49.4
	EZ Trade Balance SA (Dec)	-1.3b
	EZ Employment QoQ (4Q P)	0.9%
	EZ GDP SA QoQ (4Q P)	0.3%
	US Empire Manufacturing (Feb)	-0.7
	US PPI Final Demand YoY (Jan)	9.7%
16/02	AU Westpac Leading Index MoM (Jan)	-0.03%
	CN PPI YoY (Jan)	10.3%
	CN CPI YoY (Jan)	1.5%
	UK CPI YoY (Jan)	5.4%
	EZ Industrial Production SA MoM (Dec)	2.3%
	US MBA Mortgage Applications (11 Feb)	-8.1%
	US Retail Sales Advance MoM (Jan)	-1.9%
	US Import Price Index YoY (Jan)	10.4%
	US Industrial Production MoM (Jan)	-0.1%
	US NAHB Housing Market Index (Feb)	83.0

Source: Bloomberg

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