

15 March 2022

## Global Markets Research

### Daily Market Highlights

# 15-Mar: Shenzhen lockdown sent equities, oil lower

**US equities tracked the selloff in China, Hong Kong shares after Shenzhen lockdown**

**Treasury yields surged ahead of this week's FOMC meeting**

**USD broadly strengthened; oil prices plummeted over 5%**

- US stocks plunged alongside treasuries and oil prices on Monday as investors assessed the raging war in Ukraine, China's lockdown of Shenzhen and the Federal Reserve's imminent rate hike. The Dow Jones was unchanged while the S&P 500 dropped 0.7%; tech-focus NASDAQ closed 2.0% lower, tracking the selloff in Chinese tech stocks after tech hub Shenzhen was put under a lockdown. Hong Kong's Hang Seng Index tumbled by nearly 5.0% while the Shanghai Shenzhen CSI 300 Index plummeted by 3.1%. European stocks rose amid focus on the Ukraine-Russia negotiations; the STOXX Europe 600 added 1.2%.
- Global bond yields jumped ahead of this week's Fed and BOE meeting; US treasury yields surged by 11 to 15bps where the yield on the benchmark 10Y UST was seen 14bps higher at 2.13%, its highest level since July 2019.
- The dollar strengthened against most G10 and Asian currencies; the Swedish Krona (SEK) surged 1.4% amid growing expectations that the Riksbank may have to raise rates this year against a backdrop of high inflation, compared to the current plan of leaving its policy rate unchanged at 0%. The EUR picked up modestly by 0.3%. The AUD and NZD were the major losers in the G10 basket, followed by the JPY and CAD; commodity currencies lost ground as oil prices declined. The dollar index fell 0.1% to 99.00 on SEK and EUR strength.
- USD/MYR advanced further by 0.3% to 4.2060, its strongest level in more than nine weeks. We continue to maintain a neutral view on USD/MYR, eyeing a range of 4.17-4.21 this week as the USD is expected to remain firm underpinned by haven demand as the Ukrainian crisis continues to unfold with the latest round of high-level cease fire talk proving futile. Malaysia will see the release of exports data for the month of February this Friday and this will likely have little influence over the MYR trajectory.
- In the commodity market, gold prices tumbled 1.2% to \$1960.8/oz amid the stronger greenback. Crude oil benchmarks dropped by more than 5.0% as the market mulled potential slowdown in Chinese oil demand; Brent crude fell back below \$110/barrel, settling 5.1% lower at \$106.9/barrel while the US WTI sold off by 5.8% to \$103.01/barrel.

#### New Zealand's services PMI still below 50:

- The New Zealand's Performance of Services PMI rose to 48.6 in February, from 46.0 in January. Nonetheless, this marked the PMI's seventh consecutive month below the 50 neutral threshold, indicating a continuous contraction in the country's services activity. BNZ, which published the statistics, said that the economy may struggle to achieve any growth in the first quarter amid the Omicron outbreak.

#### Key Market Metrics

|                    | Level     | d/d (%) |
|--------------------|-----------|---------|
| <b>Equities</b>    |           |         |
| Dow Jones          | 32,945.24 | 0.00    |
| S&P 500            | 4,173.11  | -0.74   |
| NASDAQ             | 12,581.22 | -2.04   |
| Stoxx 600          | 436.35    | 1.20    |
| FTSE 100           | 7,193.47  | 0.53    |
| Nikkei 225         | 25,307.85 | 0.58    |
| Hang Seng          | 19,531.66 | -4.97   |
| Straits Times      | 3,232.03  | -0.54   |
| KLCI 30            | 1,567.44  | -0.05   |
| <b>FX</b>          |           |         |
| Dollar Index       | 99.00     | -0.13   |
| EUR/USD            | 1.0940    | 0.26    |
| GBP/USD            | 1.3002    | -0.27   |
| USD/JPY            | 118.19    | 0.77    |
| AUD/USD            | 0.7188    | -1.44   |
| USD/CNH            | 6.3950    | 0.58    |
| USD/MYR            | 4.2060    | 0.25    |
| USD/SGD            | 1.3669    | 0.29    |
| <b>Commodities</b> |           |         |
| WTI (\$/bbl)       | 103.01    | -5.78   |
| Brent (\$/bbl)     | 106.90    | -5.12   |
| Gold (\$/oz)       | 1,960.80  | -1.22   |

Source: Bloomberg, HLBB Global Markets Research

## House View and Forecasts

| FX      | This Week | 1Q-22 | 2Q-22 | 3Q-22 | 4Q-22 |
|---------|-----------|-------|-------|-------|-------|
| DXV     | 97-100    | 96.15 | 96.40 | 96.30 | 96.30 |
| EUR/USD | 1.07-1.10 | 1.13  | 1.12  | 1.12  | 1.13  |
| GBP/USD | 1.29-1.32 | 1.34  | 1.33  | 1.35  | 1.36  |
| AUD/USD | 0.73-0.75 | 0.72  | 0.72  | 0.74  | 0.75  |
| USD/JPY | 115-117   | 115   | 116   | 115   | 114   |
| USD/MYR | 4.17-4.21 | 4.17  | 4.15  | 4.15  | 4.10  |
| USD/SGD | 1.35-1.37 | 1.35  | 1.34  | 1.34  | 1.33  |

  

| Rates, % | Current   | 1Q-22     | 2Q-22     | 3Q-22     | 4Q-22     |
|----------|-----------|-----------|-----------|-----------|-----------|
| Fed      | 0.00-0.25 | 0.25-0.50 | 0.75-1.00 | 1.25-1.50 | 1.25-1.50 |
| ECB      | -0.50     | -0.50     | -0.50     | -0.50     | -0.50     |
| BOE      | 0.50      | 0.75      | 1.00      | 1.00      | 1.00      |
| 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 |
|-------|---------------------------------------------|-------|
| 15/03 | CN Industrial Production YTD YoY (Feb)      | 9.6%  |
|       | CN Fixed Assets Ex Rural YTD YoY (Feb)      | 4.9%  |
|       | CN Retail Sales YTD YoY (Feb)               | 12.5% |
|       | UK Payrolled Employees Monthly Change (Feb) | 108k  |
|       | UK Average Weekly Earnings 3M/YoY (Jan)     | 4.3%  |
|       | UK ILO Unemployment Rate 3Mths (Jan)        | 4.1%  |
|       | UK Employment Change 3M/3M (Jan)            | -38k  |
|       | EZ ZEW Survey Expectations (Mar)            | 48.6  |
|       | EZ Industrial Production SA MoM (Jan)       | 1.2%  |
|       | US PPI Final Demand YoY (Feb)               | 9.7%  |
|       | US Empire Manufacturing (Mar)               | 3.1   |
|       | US Empire Manufacturing (Mar)               | 3.1   |
| 16/03 | AU Westpac Leading Index MoM (Feb)          | 0.13% |
|       | JP Exports YoY (Feb)                        | 9.6%  |
|       | JP Industrial Production MoM (Jan F)        | -1.3% |
|       | US MBA Mortgage Applications (11 Mar)       | --    |
|       | US Retail Sales Advance MoM (Feb)           | 3.8%  |
|       | US Import Price Index YoY (Feb)             | 10.8% |
|       | US NAHB Housing Market Index (Mar)          | 82.0  |

Source: Bloomberg

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