15 April 2022

Global Markets Research

Daily Market Highlights

15-Apr: Dollar regained strength

US stocks fell ahead of long weekend as big banks reported drops in profits

Treasury yields jumped over 10bps; dollar index back above 100

Euro dipped after ECB confirmed end of bond buying program in third quarter

- US stocks closed lower on Thursday ahead of Friday's public holiday as investors digested a slew of bank earnings and economic data. The Dow Jones fell 0.3%, the S&P 500 dropped 1.2% while tech-focus NASDAQ dipped 2.1%. Tech shares led Thursday's selloff as investors continued to parse the impact of higher interest rates on growth. Twitter's shares edged lower by 1.7% after Elon Musk offered a $43b to buy out the social media platform.

- Citi, Goldman Sachs, Morgan Stanley and Wells Fargo all reported large y/y drops in their first quarter earnings, as the pandemic-era boom waned. Elsewhere, European stocks rose after the ECB kept its policy unchanged, tracking the higher shares in Japan and Hong Kong earlier.

- Treasury yields resumed climbing after recent pull-back, pushed by larger-than-expected increase in imported prices. Fed Williams and Harker supported the case for 50-basis-point hikes in the fed funds rates to quicken the tightening process in separate appearances. Fed Benchmark UST yields advanced by 10.4 to 13.5bps where the yield on the 10Y UST went up to 2.83%.

- The dollar index rebounded on Thursday, back to 100.3 (+0.5%), as the USD rallied against all G10 currencies. CHF (-0.9%) was the biggest loser in the G10 group. EUR/USD tanked to 1.0828 (-0.5%) after briefly falling below 1.0800, after the ECB kept its policy unchanged, highlighting the continuous policy divergence with the Fed. SGD topped the Asian basket (+0.4%) after the MAS tightened policy more aggressively by re-centering its policy band and also raising its rate of appreciation. USD/MYR continued to little changed at 4.2305, in line with our view that the pair may hover near 4.2300 in the near term amid cautious sentiment.

- Oil benchmarks extended gains on Thursday as news of a phased-in European ban on Russian oil emerged while traders continued to see the possibility of a supply deficit. Brent crude rose for the third consecutive session to $111.70/barrel (+2.7%) while US WTI closed at $106.95/barrel (+2.6%).

ECB confirmed bond-buying program will end in 3Q:

- The ECB maintained its plan to wind down the Asset Purchase Program in the second quarter and said that incoming data reinforced expectations for the program to end in the third quarter. All key ECB interest rates were left unchanged as expected. As mentioned in the previous statement, the ECB said that any adjustment in these rates will take place some time after the end of APP and the process will be gradual. It sees inflation remaining high over the coming months and stressed the uncertainty over Russian aggression in Ukraine. Economic activity is still being supported by the reopening of the economy. The ECB said that flexibility will remain an element of monetary policy.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	34,451.23	-0.33
S&P 500	4,392.59	-1.21
NASDAQ	13,351.08	-2.14
Stoxx 600	459.82	0.67
FTSE 100	7,616.38	0.47
Nikkei 225	27,172.00	1.22
Hang Seng	21,518.08	0.67
Straits Times	3,335.85	-0.19
KLCI 30	1,595.70	-0.09
FX		
Dollar Index	100.32	0.45
EUR/USD	1.0828	-0.55
GBP/USD	1.3071	-0.35
USD/JPY	125.88	0.21
AUD/USD	0.7419	-0.43
USD/CNH	6.3898	0.19
USD/MYR	4.2305	-0.02
USD/SGD	1.3569	-0.40
Commodities		
WTI ($/bbl)	106.95	2.59
Brent ($/bbl)	111.70	2.68
Gold ($/oz)	1,970.90	-0.51

Source: Bloomberg, HLBB Global Markets Research

- President Lagarde said in the post-meeting press conference that the Governing Council will incorporate "an element of judgement" regarding rate hikes in the coming June meeting. She said that exiting the bond-buying program is a pre-condition for raising rates which could be anywhere between a week to several months after the program ends.

US retail sales driven by higher gasoline receipts; imported inflation accelerated:

- US retail sales rose 0.5% m/m in March, slightly lower than the consensus forecast of 0.6% m/m. The February's sales were revised higher to show a much larger gain of 0.8% m/m (vs +0.3% m/m). March reading was driven by the higher receipt for gasoline sales as prices climbed further. Sales actually fell 0.3% m/m (Feb: +0.2%) after excluding gasoline sales. Sales were mixed in other categories although most of them continued to post m/m increases.
- Imported inflation accelerated in the US last month and exceeded analysts' forecasts. Import price index rose 2.6% m/m in March (Feb: +1.6%), driven by the sharp jump in prices of imported petroleum (+16.1%) and industrial supplies (+8.2%). The headline index was 12.5% higher (Feb: +11.3%) compared to a year ago.
- Initial jobless claims rose 18k to 185k last week (prior: 167k) but remained at historically low levels, affirming the view that hiring activity remained robust in the US.
- The University of Michigan Consumer Sentiment Index unexpectedly jumped to 65.7 in April (Mar: 59.4) according to a preliminary reading. The positive surprise reflects the improvement in consumer expectations over the year-ahead ahead economic outlook; the view was underscored by the strong labour market conditions.

Australia's hiring activity affected by flood; CPI expectations breached 5%:

- Australia's March job data undercut analysts' expectations, as the east coast flood that lasted nearly two weeks last month affected hiring. The economy reported total job gains of 17.9k in March, down sharply from the 77.4k gains in February. The consensus estimates had been at 30k. March's headline number reflects the extended decline in part-time jobs (-2.7k) and the modest increase in full time employment (+20.5k). Meanwhile, the unemployment rate steadied at 4.0%, compared to consensus forecast of 3.9%.
- A separate note showed that Australia's consumer price expectations came in at a near-ten-year high. The expected inflation rate in Australia rose to 5.2% in April, from 4.9% previously, synchronizing with the global trend of higher inflation amid persistent supply chain constraints. Australia's actual CPI reading was last reported at 3.5% y/y in 4Q21 whereas the full-year 2021 CPI rate stood at 2.9%.

House View and Forecasts

FX	This Week	2Q-22	3Q-22	4Q-22	1Q-21
DXY	99-101	98.5	99	98	97.5
EUR/USD	1.08-1.10	1.1	1.09	1.1	1.12
GBP/USD	1.30-1.32	1.29	1.28	1.3	1.31
AUD/USD	0.74-0.76	0.76	0.77	0.76	0.76
USD/JPY	120-125	121	120	120	120
USD/MYR	4.21-4.25	4.2	4.18	4.16	4.16
USD/SGD	1.35-1.37	1.36	1.35	1.34	1.33

Rates, %	Current	2Q-22	3Q-22	4Q-22	1Q-21
Fed	0.25-0.50	1.25-1.50	1.75-2.00	2.00-2.25	2.00-2.25
ECB	-0.50	-0.50	-0.50	-0.25	-0.25
BOE	0.75	1.25	1.25	1.25	1.25
RBA	0.10	0.10	0.75	1.00	1.25
BOJ	-0.10	-0.10	-0.10	-0.10	-0.10
BNM	1.75	1.75	2.00	2.00	2.25

Source: HLBB Global Markets Research

Up Next

Date	Events	Prior
15/04	US Empire Manufacturing (Apr)	-11.8
	US Industrial Production MoM (Mar)	0.5%
18/04	SG Non-oil Domestic Exports YoY (Mar)	9.5%
	CN Industrial Production YoY (Mar)	4.3%
	CN GDP YoY (1Q)	4.0%
	CN Retail Sales YoY (Mar)	1.7%
	CN Fixed Assets Ex Rural YTD YoY (Mar)	12.2%
	CN Residential Property Sales YTD YoY (Mar)	-22.1%
	MA Exports YoY (Mar)	16.8%
	US NAHB Housing Market Index (Apr)	79.0

Source: Bloomberg

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