15 September 2022

Global Markets Research

Daily Market Highlights

15 Sep: US stocks rebounded amid bargain hunting

UST curve traded mixed and flattened again; DXY pulled back below 110

UK CPI tapered off more than expected; easing the pressure on BOE

Stronger than expected New Zealand 2Q GDP paves the way for 50bps hike

- US equities went through a choppy day at low levels but managed to close the day with small gains as bargain hunting emerged towards late US trading session. Softer PPI print also somewhat alleviated concerns over inflation and hence the Fed's policy tightening path.

- The Dow eked out a 0.1% d/d gain while the S&P 500 rose 0.3% led by energy, tech, and consumer discretionary sectors. The tech-heavy NASDAQ advanced 0.7% on Wednesday. Earlier in European and Asian markets, stocks ended in the red on concerns over continued aggressive Fed rate hikes. The Stoxx EUR 600 fell 0.9%, the FTSE 100 declined 1.5% while the Nikkei and Hang Seng plunged over 2.0%.

- The global sovereign bond markets were mixed. The UST curve flattened again as yields were seen rising in the rate-sensitive front ends but falling in the longer tenor bonds. The OIS market is pricing in a slim chance of a 100bps rate hike at next week's FOMC meeting. 2Y note yields pared earlier advance to close only 3bps higher at 3.79% while the 10s ended flat at 3.41% at close.

- The USD saw some correction from the hefty gain a day earlier. The Dollar Index pulled back below the 110 handle again, to a 109.63 close, down 0.4% on the day. The greenback broadly weakened against the majors, the most vs a stronger JPY (+1.0%), GBP (+0.4%), AUD (+0.3%) and EUR (+0.1%).

- In Asia trading session, most major Asian currencies remained under pressure trailing the renewed USD strength post US CPI. KRW (-1.2%), THB (-1.0%), and TWD (-0.7%) fell the most while the CNH and SGD registered small gains. The MYR weakened 0.5% d/d to 4.5280, its weakest since 1998 during the Asian Financial Crisis, where USD/ MYR hit a high of 4.7125 in January 1998. YTD, the MYR has weakened close to 8.0% against the greenback, in line with weaknesses in other peer currencies – THB (-8.8%), CNY (-8.7%), IDR (-4.4%), and SGD (-4.0%).

- Oil prices also rebounded with 1.2-1.5% gains following a mixed EIA report showing a higher increase in crude inventories but decline in gasoline stocks. News on some easing restrictions in Chengdu also spurred demand optimism. Brent crude increased 1.2% d/d to $94.64/ barrel while the WTI rose 1.5% to $88.98/ barrel.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	31,135.09	0.10
S&P 500	3,946.01	0.34
NASDAQ	11,719.68	0.74
Stoxx Eur 600	417.51	-0.86
FTSE 100	7,277.30	-1.47
Nikkei 225	27,818.62	-2.78
Hang Seng	18,847.10	-2.48
Straits Times	3,258.02	-0.97
KLCI 30	1,468.44	-1.30
FX		
Dollar Index	109.63	-0.35
EUR/USD	0.9981	0.11
GBP/USD	1.1539	0.40
USD/JPY	143.08	-1.04
AUD/USD	0.6748	0.27
USD/CNH	6.9730	-0.14
USD/MYR	4.5280	0.46
USD/SGD	1.4062	-0.05
Commodities		
WTI ($/bbl)	88.98	1.53
Brent ($/bbl)	94.64	1.17
Gold ($/oz)	1,696.50	-0.32
Copper ($$/MT)	7,785.50	-0.57
Aluminum($/MT)	2,277.00	-1.34
CPO (RM/tonne)	3,756.50	3.13

Source: Bloomberg, HLBB Global Markets Research

US PPI eased less than expected mirroring CPI; mortgage applications saw extended declines:

- US PPI fell at a slower pace by 0.1% m/m as expected while the index pulled back more than expected to 8.7% on a y/y basis in August (Jul: -0.4% m/m and 9.8% y/y). PPI ex-food and energy also saw a more moderate gain of 7.3% y/y in August, albeit pulling back less than expected from a revised 7.7% increase in July. Mirroring the CPI, services inflation was the key driver shoring up inflation, despite easier energy prices.
- Mortgage applications extended its decline for the week ended 9-Sept (-1.2% vs prior -0.8%) amid further increase in interest rates. Bigger decline in refinancing (-4.2% vs -1.1%) offset the turnaround in applications for new purchases (+0.2% vs -0.7%).

Weaker than expected industrial production in the Eurozone:

- July industrial production fell more than expected by 2.3% m/m in July (Jun: +1.1% revised), marking its first decline in four months dragged by intermediate goods, capital goods and durable consumer goods, offsetting the increase in energy and non-durable consumer goods production. On a y/y basis, production staged a surprised decline by 2.4% (Jun: +2.2%), pointing to increasing downside risks to the Eurozone economy in 3Q.

UK CPI moderated more than expected in August:

- August CPI pulled back more than expected to 9.9% y/y in August, down from the record high 10.1% y/y increase in July due to softer price gain in housing and decline in transport prices. CPI posted a more moderate gain of 0.5% m/m (Jul: +0.6%) while the gain in retail prices also eased to 0.6% m/m (Jul: +0.9%). PPI output and input unexpectedly declined (-0.1% and -1.2% m/m respectively), all pointing to softening price outlook in the UK economy. The only reading that stood out was core CPI which posted a quicker gain of 6.3% y/y in August, a slight pick-up from the 6.2% y/y increase in July, and would likely support the case for another 50bps hike by the BOE next week.

Mixed bag of Japanese data signalled uneven recovery:

- Core machine orders staged a surprised pick-up to increase 5.3% m/m in July (Jun: +0.9%), its best growth in three months as a spike in non-manufacturing orders more than offset the decline in manufacturing orders. Orders also jumped 12.8% on a y/y basis, gaining traction from the 6.5% increase seen in June, a sign business investment is recovering.
- Industrial production grew 0.8% m/m om July, slower than the flash estimate of +1.0% m/m, confirming a hefty pullback from June's +9.2% increase as shipment slowed. Manufacturing production grew at a much slower pace of 2.4% m/m (Jun: +9.6%), dragged by declines in electronics parts/ devices.
- External trade gathered speed in August, albeit at a slower than expected pace. Exports quickened to 22.1% y/y while imports jumped 49.9% y/y in August (Jul: +19.0% and +47.2% y/y respectively), continuing the hefty double-digit gains since February. While this appears positive, the bigger jump in imports have aggravated the shortfall in the trade balance, widening the trade deficit to a record ¥2817.3bn amid a weaker JPY, which has weakened close to 20% year to-date vs the USD.

Stronger than expected 2Q GDP in New Zealand paves the way for 50bps hike:

- Growth in the New Zealand economy moderated less than expected to 0.4% y/y in 2Q, from a revised 1.0% y/y expansion in 1Q. On a quarter-on-quarter basis, growth rebounded more than expected to increase 1.7% (1Q: -0.2%).

The rebound was led by the agriculture (+1.1% q/q) and services (+2.7% q/q) industries, offsetting the deeper contraction in goods producing sectors, namely manufacturing (-5.9% q/q) and construction (-2.4% q/q). This should pave the way for a further 50bps increase in the RBNZ official cash rate in October.

House View and Forecasts

FX	This Week	3Q-22	4Q-22	1Q-23	2Q-23
DXY	108-112	106.00	105.00	103.00	102.00
EUR/USD	0.98-1.00	1.02	1.03	1.05	1.04
GBP/USD	1.14-1.17	1.21	1.22	1.24	1.23
USD/JPY	140-145	138.00	135.00	133.00	132.00
AUD/USD	0.66-0.69	0.67	0.69	0.70	0.70
USD/MYR	4.48-4.52	4.42	4.40	4.38	4.35
USD/SGD	1.40-1.42	1.40	1.38	1.37	1.36

Rates, %	Current	3Q-22	4Q-22	1Q-23	2Q-23
Fed	2.25-2.50	2.75-3.00	3.25-3.50	3.25-3.50	3.25-3.50
ECB	-0.50	0.75	1.75	2.25	2.75
BOE	1.75	2.25	3.25	3.25	3.25
BOJ	-0.10	-0.10	-0.10	-0.10	-0.10
RBA	1.85	2.35	3.10	3.10	3.10
BNM	2.25	2.50	2.50	2.50	2.50

Source: HLBB Global Markets Research

Up Next

Date	Events	Prior
15/09	AU Employment Change (Aug)	-40.9k
	AU Unemployment Rate (Aug)	3.4%
	EZ Trade Balance NSA (Jul)	-24.6b
	UK Bank of England Bank Rate (15 Sep)	1.75%
	US Initial Jobless Claims (10 Sep)	--
	US Empire Manufacturing (Sep)	-31.3
	US Retail Sales Advance MoM (Aug)	0.0%
	US Philadelphia Fed Business Outlook (Sep)	6.2
	US Import Price Index YoY (Aug)	8.8%
	US Industrial Production MoM (Aug)	0.6%
16/09	NZ BusinessNZ Manufacturing PMI (Aug)	52.7
	SG Non-oil Domestic Exports YoY (Aug)	7.0%
	CN New Home Prices MoM (Aug)	-0.11%
	CN Residential Property Sales YTD YoY (Aug)	-31.4%
	CN Industrial Production YoY (Aug)	3.8%
	CN Retail Sales YoY (Aug)	2.7%
	CN Fixed Assets Ex Rural YTD YoY (Aug)	5.7%
	UK Retail Sales Inc Auto Fuel MoM (Aug)	0.3%
	EZ CPI YoY (Aug F)	8.9%
	US U. of Mich. Sentiment (Sep P)	58.2

Source: Bloomberg

Hong Leong Bank Berhad
Fixed Income & Economic Research, Global Markets
Level 8, Hong Leong Tower
6, Jalan Damanlela
Bukit Damansara
50490 Kuala Lumpur
Tel: 603-2081 1221
Fax: 603-2081 8936
HLMarkets@hlbb.hongleong.com.my

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