

15 November 2022

Global Markets Research

Daily Market Highlights

15 Nov: US stocks dipped as investors examine Fed bets

UST came under renewed pressure amid hawkish Fed speaks

DXY regained some grounds to close higher at 106.66

Chinese yuan gained on improved sentiments; MYR traded below 4.60

- Stocks fell to start the week as investors took a pause from last week's big rally and digested a slew of corporate and economic news. The Dow Jones Industrial Average fell 0.6% d/d, the S&P 500 was lower by 0.9% d/d and the tech-heavy Nasdaq Composite dropped 1.1% d/d. Earlier in the day, the major stock indexes came off their lows after Federal Reserve Vice Chair Lael Brainard briefly buoyed sentiment after she said that it would be appropriate soon for the central bank to slow its pace of interest rate hikes. However, she also emphasized that the Fed had "additional work to do" to bring inflation down, which kept investors on the edge. Brainard's remarks came after fellow central bank Governor Christopher Waller said that the endpoint for the Fed funds rate is "still ways out there." His remarks initially weighed on the market. Ahead of Brainard's comments, stocks also took a big fall following reports that Amazon will lay off about 10,000 employees. The 3Q earnings season is set to continue, with a heavy emphasis on retail. Walmart, Home Depot, Target, Lowe's, Macy's and Kohl's are all slated to report earnings this week.

The EUR Stoxx 600, meanwhile, edged up by 0.1% d/d, while FTSE100 gained 0.9% d/d. In Asia, the Hang Seng index rose 1.7% d/d, mostly boosted by property stocks. Japan's Nikkei 225 fell 1.1%, dragged by heavyweight SoftBank which plunged 12.7% d/d.

- Treasury yields climbed as markets scanned Fed speaks and recent U.S. inflation figures for hints about the central bank's policy plans. The yield on the policy-sensitive 2-year Treasury was 6bps higher at 4.39%. The benchmark 10-year Treasury yield was last up by 4bps at 3.86%, remaining below the key 4% level. It should be noted that more Fed officials are due to speak this week, adding more noises to the markets.
- The U.S. dollar rose against the euro and yen as investors kept their focus on the Federal Reserve's interest rate hiking path after a policymaker said too much was being made of last week's cooler U.S. inflation data. The Dollar Index rose 0.4% d/d to 106.66, with the euro depreciating 0.2% d/d against greenback while sterling weakened 0.6% d/d. Sterling also fell ahead of British Chancellor Jeremy Hunt's statement on Thursday, when he is expected to set out tax rises and spending cuts. The yuan's rally (+0.7% d/d) coincided with a broad lift in Chinese market sentiment while the MYR strengthened 0.6% d/d against the USD to 4.5948, breaking three key levels to print a sharp 3.0% gain within a week (last Monday's close of 4.7400).

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	33,536.70	-0.63
S&P 500	3,957.25	-0.89
NASDAQ	11,196.22	-1.12
Stoxx Eur 600	432.86	0.14
FTSE 100	7,385.17	0.92
Nikkei 225	27,963.47	-1.06
Hang Seng	17,619.71	1.70
Straits Times	3,260.80	1.01
KLCI 30	1,464.00	-0.29
FX		
Dollar Index	106.66	0.35
EUR/USD	1.0327	-0.19
GBP/USD	1.1756	-0.63
USD/JPY	139.89	0.78
AUD/USD	0.6702	-0.01
USD/CNH	7.0417	-0.71
USD/MYR	4.5948	-0.59
USD/SGD	1.3720	0.01
Commodities		
WTI (\$/bbl)	85.87	-3.47
Brent (\$/bbl)	93.14	-2.97
Gold (\$/oz)	1,776.90	0.42
Copper (\$\$/MT)	8,375.00	-1.38
Aluminum(\$/MT)	2,452.50	-0.45
CPO (RM/tonne)	4,174.50	3.27

Source: Bloomberg, HLBB Global Markets Research

- Oil prices pared earlier gains and fell on Monday, dragged down by a firmer U.S. dollar and record high coronavirus cases in major Chinese cities that dashed hopes of the reopening of the economy of the world's biggest crude importer. Brent was down 3.0% d/d, while WTI crude futures fell 3.5% d/d. Gold steadied at +0.4% d/d as bargain hunting offset pressure from the dollar's advance.

Eurozone Sept industrial output much stronger than expected

- Industrial output in the Eurozone rose more than expected by 0.9% m/m and 4.9% y/y in September. Data for August was also revised upwards to a rise of 2.0% m/m from 1.5% m/m previously. The increase was led by capital and consumer goods. The former gained by 1.5% m/m, while output of durable and non-durable goods rose 0.9% m/m and 3.5% m/m. These offset the decline in intermediate (-0.9% m/m) and energy (-1.1% m/m).

Exodus of first-time buyers puts brakes on UK housing market

- First-time buyers pulled back most from purchasing a home after the increase in mortgage costs following the mini-budget. According to Rightmove, buyer demand plunged 20% y/y and data showed first-time buyers were the most hesitant, with demand down 26% in October. Tim Bannister, Rightmove's director also noted that a group who are ready and able to move and are waiting on the sidelines for more financial certainty. A slowdown in market activity has led more sellers to reduce their asking prices in attempts to agree quicker sales. In October, 8% of unsold properties on Rightmove were reduced, double the 4% recorded in the same month of 2021.

New Zealand's services sector lifted in October

- According to the BNZ–BusinessNZ Performance of Services Index (PSI), the index rose 1.5 points m/m to 57.4 in October. The index has remained above the 55-point mark for three consecutive months, with the two key sub-indexes of New Activity/Sales (61.0) and New Orders/Business (59.9) remaining in a very healthy position. In addition, Employment (57.0) experienced its highest level of activity since April 2021.

Japan 3Q GDP unexpectedly contracted 1.2% y/y

- Japan's economy unexpectedly shrank of 1.2% y/y in 3Q, marking the first contraction in a year due to a slowdown in consumption and hefty import gains denting net exports. This translated into a quarterly decline of 0.3% q/q per cent, versus the median economist forecast for 0.3% growth. Private consumption, which makes up more than half of the Japanese economy, grew 0.3% q/q. While matching consensus estimate, growth slowed sharply from the previous period's +1.2% q/q.

House View and Forecasts

FX	This Week	4Q-22	1Q-23	2Q-23	3Q-23
DXY	105-110	115.00	112.70	110.45	110.00
EUR/USD	0.99-1.04	0.95	0.97	0.98	0.98
GBP/USD	1.13-1.19	1.10	1.10	1.11	1.12
USD/JPY	140-145	147.00	146.00	145.00	144.00
AUD/USD	0.64-0.68	0.62	0.63	0.64	0.64
USD/MYR	4.60-4.70	4.68	4.64	4.62	4.60
USD/SGD	1.38-1.40	1.45	1.44	1.42	1.40

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	2.85	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
15-Nov	NZ REINZ House Sales YoY (Oct)	-10.90%
	CH Industrial Production YoY (Oct)	6.30%
	CH Retail Sales YoY (Oct)	2.50%
	CH Fixed Assets Ex Rural YTD YoY (Oct)	5.90%
	CH Surveyed Jobless Rate (Oct)	5.50%
	JN Industrial Production MoM (Sep F)	-1.60%
	UK ILO Unemployment Rate 3Mths (Sep)	3.50%
	EC ZEW Survey Expectations (Nov)	-59.7
	EC Trade Balance SA (Sep)	-47.3b
	EC Employment QoQ (3Q P)	0.40%
	EC GDP SA QoQ (3Q P)	0.20%
	US Empire Manufacturing (Nov)	-9.1
	US PPI Final Demand YoY (Oct)	8.50%
	US PPI Core YoY (Oct)	8.50%
16-Nov	AU Westpac Leading Index MoM (Oct)	-0.04%
	JN Core Machine Orders MoM (Sep)	-5.80%
	AU Wage Price Index QoQ (3Q)	0.70%
	CH New Home Prices MoM (Oct)	-0.28%
	JN Tertiary Industry Index MoM (Sep)	0.70%
	UK CPI MoM (Oct)	0.50%
	UK Retail Price Index (Oct)	347.6
	UK PPI Output NSA MoM (Oct)	0.20%
	UK PPI Input NSA MoM (Oct)	0.40%
	US MBA Mortgage Applications	-0.10%
	US Retail Sales Advance MoM (Oct)	0.00%
	US Import Price Index MoM (Oct)	-1.20%
	US Export Price Index MoM (Oct)	-0.80%
	US Industrial Production MoM (Oct)	0.40%

Source: Bloomberg

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