

**Global Markets Research**
**Daily Market Highlights**

# 16 Nov: Stocks rose on prospect of slower Fed rate hikes

**Softer than expected PPI added to signs inflation may have peaked**

**Chinese retail sales and industrial production missed expectations**

**Heightened geopolitical risks could keep a lid on risk sentiments today**

- US stocks rose as fresh data on producer prices (PPI) added to evidence that inflation may have peaked. The S&P 500 rose 0.9% d/d, the tech-heavy Nasdaq Composite gained 1.5% d/d while the Dow Jones Industrial Average edged up by 0.2% d/d. Retail stocks also lifted investor sentiment, with Walmart shares jumping 6.5% d/d after the company beat Wall Street earnings. Taiwan Semiconductor also jumped 7.9% d/d after regulatory filings showed that Warren Buffett's Berkshire Hathaway added 60m shares in the company.

Over in Europe, Stoxx 600 closed up by 0.4% d/d while FTSE dipped 0.2% d/d. Shares in the Asia-Pacific were mostly higher following the meeting between Chinese President Xi Jinping and U.S. President Joe Biden. Hang Seng index was 4.1% d/d higher while CSI300 gained 1.9% d/d.

- Treasury yields also fell after October's PPI data came in softer than expected. The yield on the benchmark 10-year Treasury note fell by about 8bps to 3.77%, its lowest level since the beginning of October. The 2-year Treasury yield was last lower by about 5bps at 4.34%.
- The Dollar Index ticked lower in the afternoon session, with the Dollar Index closing the day 0.2% lower as US stocks turned higher and Treasury yields remained low. The index fell as much as 1.1% to a 3-month low earlier in the day amidst the smaller than expected increase in PPI. EUR strengthened 0.2% d/d to 1.0349, while the sterling reached its strongest level in 3 months, jumping as much as 0.9% d/d to 1.1865. JPY advanced in European and American trading session to end the day 0.4% stronger against the USD, shrugging off the disappointing 3Q GDP. Ringgit, meanwhile, continued to strengthen, appreciating 1.3% d/d to 4.5335.
- Oil prices rose for the second day with Brent rising 0.8% d/d, while the U.S. West Texas Intermediate crude gained 1.2% d/d. Supply concerns offered support with International Energy Agency warning on Tuesday that oil inventories in developed nations are now at their lowest since 2004. Gold prices, meanwhile, were flat.

**US PPI rose less than expected as services slipped; Empire Manufacturing improved**

- Producer price (PPI) increased less than expected in October as services fell for the first time in nearly two years. Total PPI increased 0.2% m/m,

**Key Market Metrics**

	Level	d/d (%)
<b>Equities</b>		
Dow Jones	33,592.92	0.17
S&P 500	3,991.73	0.87
NASDAQ	11,358.41	1.45
Stoxx Eur 600	434.44	0.37
FTSE 100	7,369.44	-0.21
Nikkei 225	27,990.17	0.10
Hang Seng	18,343.12	4.11
Straits Times	3,275.28	0.44
KLCI 30	1,450.54	-0.92
<b>FX</b>		
Dollar Index	106.40	-0.24
EUR/USD	1.0349	0.21
GBP/USD	1.1865	0.93
USD/JPY	139.28	-0.44
AUD/USD	0.6756	0.81
USD/CNH	7.0484	0.10
USD/MYR	4.5335	-1.33
USD/SGD	1.3707	-0.09
<b>Commodities</b>		
WTI (\$/bbl)	86.92	1.22
Brent (\$/bbl)	93.86	0.77
Gold (\$/oz)	1,776.80	-0.01
Copper (\$\$/MT)	8,376.50	0.02
Aluminum(\$/MT)	2,435.00	-0.71
CPO (RM/tonne)	4,023.00	-3.63

Source: Bloomberg, HLBB Global Markets Research

unchanged from the previous month but is a shade lower than consensus estimate's +0.4% m/m. The increase for the month was led by a 0.6% m/m increase in final demand goods, while the index for final demand services edged down by 0.1% m/m. Gasoline jumped 5.7 m/m%, making up 60% of the rise in goods prices. Food prices rose 0.5% m/m.

- Business activity edged slightly higher in New York State, according to November's Empire State Manufacturing Survey. The headline index climbed 14 points to 4.5, its first positive reading since July. Despite this, we are cautious as we noted that the new orders index slipped 7 points to -3.3, pointing to a small decline in orders, while the index for future business conditions fell 4 to -6.1, indicating that on net firms expect conditions to worsen over the next six months.

#### **Eurozone GDP growth and employment eased in 3Q**

- GDP growth in the Eurozone softened to 0.2% q/q in 3Q (2Q: +0.8% q/q), while on a y/y basis, growth was seen halved to 2.1% (2Q: +4.3%), as expected, confirming a slowdown in the Eurozone which could deteriorate further as the energy crisis deepens in 4Q.
- The number of employed persons increased by 0.2% q/q (2Q: +0.4% q/q). For the latter, growth slowed to +1.7% y/y from +2.7% y/y previously.
- Eurozone trade deficit narrowed to EUR34.4bn in September from August's -EUR50.9bn. While export growth was stable at +23.6% y/y, import growth slowed to 44.5% y/y from +54% y/y previously.
- The ZEW Indicator of Economic Sentiment for Germany increased by 22.5 points to a value -36.7 in November. This is likely to be related above all to the hope that inflation rates will fall soon, as seen in the inflation expectations for the eurozone declining significantly by 16.4 points to -52.2. However, the economic outlook for the German economy is still clearly negative, with the index sentiment concerning the economic development of the eurozone at -38.7 (Oct: -59.7).

#### **UK unemployment rate low ticked higher to 3.6% in September**

- The UK ILO unemployment rate increased 0.1ppts m/m to 3.6% in September. Payroll employees rose at a slower 74k in October (Sept: 94k revised from 69k), while the employment change fell at half the pace in September (-52k vs -109k). On the contrary, jobless claims change added a much lower 3.3k in October while September's claims change was revised sharply lower from 25.5k to 3.9k. Weekly wages excluding bonuses accelerated to 5.7% y/y in September (Aug: +5.5% y/y) although average weekly wages grew a tad slower (+6.0% vs +6.1%), probably due to the problem of labour worker shortages which Chancellor Hunt has said will be addressed in his budget statement today. However, it should be noted, for the period August-October, the estimated number of vacancies fell 46,000 q/q, marking the four consecutive quarterly falls. An increasing number of businesses are now reporting holding back recruitment because of economic pressures. Nevertheless, it should be noted that the number of vacancies remain at historically high levels.

#### **China maintained rates at 2.75%, retail and industrial data missed expectations**

- The People's Bank of China (PBOC) maintained its 1-year medium term lending facility rate at 2.75%. Just a recap, the PBOC last cut the rate in August by 10bps.
- Three indicators on China's economy in October missed expectations and marked a slowdown from September. Retail sales fell by 0.5% y/y, the first decline since May, while industrial production tapered off more than expected to 5.0% y/y. Consensus estimates had expected retail sales to slow

to +0.7% y/y and that industrial production would also slow to 5.3% y/y. For the former, home appliances, catering and apparel saw some of the greatest sales declines.

- Fixed asset investment, meanwhile, grew by 5.8% y/y for the first 10 months of the year, a touch below expectations for maintaining the same pace as September (+5.9% y/y). Investment in real estate declined further in October, while that in manufacturing slowed slightly. Investment in infrastructure picked up mildly, to 8.7% y/y. The October unemployment rate in cities was unchanged from September, at 5.5%.

#### **New Zealand house prices fell 7.5% y/y**

- New Zealand house prices rose slightly in October on the prior month but buyers remain hesitant as mortgage interest rates continue to rise. The Real Estate Institute of New Zealand (REINZ) reported that median house values rose 0.7% m/m but were down 7.5% y/y. Total dwelling sales worsened, plunging 34.7% y/y, after contracting 10.9% y/y previously.

### **House View and Forecasts**

<b>FX</b>	<b>This Week</b>	<b>4Q-22</b>	<b>1Q-23</b>	<b>2Q-23</b>	<b>3Q-23</b>
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	4.50-4.62	4.68	4.64	4.62	4.60
USD/SGD	1.38-1.40	1.45	1.44	1.42	1.40

<b>Rates, %</b>	<b>Current</b>	<b>4Q-22</b>	<b>1Q-23</b>	<b>2Q-23</b>	<b>3Q-23</b>
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**

<b>Date</b>	<b>Events</b>	<b>Prior</b>
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%
	UK PPI Input NSA YoY (Oct)	20.00%
	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%	
17-Nov	NZ PPI Input QoQ (3Q)	3.10%
	NZ PPI Output QoQ (3Q)	2.40%
	JN Exports YoY (Oct)	28.90%
	SI Non-oil Domestic Exports SA MoM (Oct)	-4.00%
	AU Unemployment Rate (Oct)	3.50%
MA Exports YoY (Oct)	30.10%	

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HK Unemployment Rate SA (Oct)	3.90%
EC Construction Output MoM (Sep)	-0.60%
EC CPI MoM (Oct F)	1.50%
US Housing Starts (Oct)	1439k
US Building Permits (Oct)	1564k
US Philadelphia Fed Business Outlook (Nov)	-8.7
US Initial Jobless Claims	225k
US Continuing Claims	1493k

Source: Bloomberg

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