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

# 17-May: The China economy took a hit in April

## US stocks generally fell alongside lower treasury yields on Monday

## Dollar slumped as NY Fed manufacturing index weakened sharply

## China's industrial production and retail sales fell as Shanghai under lockdown

- US stock generally fell on Monday after a short-lived rally last Friday as investors grappled with the economic slowdown in China and the possibilities of a US recession should the Federal Reserve deliver a larger rate hike in the coming FOMC meetings. The S&P 500 fell 0.4% alongside the 1.2% decline in NASDAQ. The Dow rose marginally by 0.08%. Stocks mostly fell in Europe earlier and ended on a mixed note in key Asian markets.
- The benchmark 10Y UST edged lower by 3bps to 2.89% amid a broad-based decline in yields as investors favoured safer bonds over stocks.
- The USD weakened against most G10 currencies as the US Empire State Manufacturing Index registered a negative reading in May, a signal of slowing US growth. The dollar index slumped for the second consecutive session to 104.19 (-0.4%). Commodity currencies rose alongside higher crude oil prices with the CAD topping the G10 chart on Monday. The sterling rose as the BOE Governor Bailey assured the market that the central bank would not sell bonds in times of market turmoil.
- USD/MYR rose 0.1% to 4.3985 on Friday despite the better-than-expected Malaysia's 1Q22 GDP growth. The MYR market was closed on Monday for a public holiday. The USD/MYR outlook remains bullish amid the expectations for sustained USD strength and following the removal of event risks from BNM MPC and Malaysia 1Q GDP. Positive momentum indicator is still building up but the upside is likely capped at 4.42-4.43 for now with an expected weekly range of 4.37-4.43 this week.
- In the commodity market, gold futures rebounded by 0.3% to \$1814/oz amid the weaker USD. Crude oil prices ended higher on Monday, erasing the earlier losses triggered by China's weak economic data. Brent crude jumped 2.4% to \$114.24/barrel while WTI rose 3.4% to \$114.2/barrel.

### New York Empire State manufacturing index showed contraction in factory activity:

- The New York Fed Empire State Manufacturing Index unexpectedly slipped to -11.6 in May, versus the expectations of 15.0, suggesting that the persistent supply chain challenge and high inflation are weighing on factory activity. This followed a solid 24.6 reading in April and marked its second contraction within a three-month period. The contraction in manufacturing activity in the New York State was driven by an almost 34pt decline in new orders as well as the 50pt decrease in the shipment gauge. The prices paid index pulled back by nearly 13pts but remained at elevated levels above 70.

### Key Market Metrics

	Level	d/d (%)
<b>Equities</b>		
Dow Jones	32,223.42	0.08
S&P 500	4,008.01	-0.39
NASDAQ	11,662.79	-1.20
Stoxx 600	433.67	0.04
FTSE 100	7,464.80	0.63
Nikkei 225	26,547.05	0.45
Hang Seng	19,950.21	0.26
Straits Times	3,191.16	0.82
KLCI 30	1,544.41	0.36
<b>FX</b>		
Dollar Index	104.19	-0.36
EUR/USD	1.0434	0.21
GBP/USD	1.2319	0.46
USD/JPY	129.16	-0.05
AUD/USD	0.6971	0.45
USD/CNH	6.7975	-0.04
USD/MYR*	4.3985	0.11
USD/SGD	1.3918	-0.08
<b>Commodities</b>		
WTI (\$/bbl)	114.20	3.36
Brent (\$/bbl)	114.24	2.41
Gold (\$/oz)	1,814.00	0.32

\*Closing for 13 May, Friday

Source: Bloomberg, HLBB Global Markets Research

#### Eurozone posted the largest trade deficit on record:

- The Eurozone registered a record trade deficit of €17.6b in March (Feb: -€11.3b). Imports rose by 3.5% m/m increase while exports had climbed modestly by 0.9% m/m in a month when industrial production had fallen sharply by 1.8% m/m amid the similar situation of supply chain constraints and high inflation.

#### Japan's producer price inflation jumped in April:

- Japan's producer price index jumped 1.2% m/m in April (Mar: +0.9%), reflecting the surge in manufacturing and agriculture sector prices. This brings the y/y PPI inflation to 10.0% (Mar: +9.7%).
- Machinery tool orders fell 6.8% m/m in April (Mar: +19.6%), reflecting falls in both domestic and foreign demand. On a y/y basis, orders were 25% higher compared to the same month last year, a weaker reading for the third consecutive month.

#### China's economic activity slumped in April:

- China's April indicators came in weaker than expected as the Chinese economy took a major battering from the Shanghai lockdown and the concurrent restrictions imposed in other parts of the country to stem the Covid-19 pandemic. Industrial production plunged 2.9% y/y in April (Mar: +5.0%), marking its first official decline since March 2020 as some factories were forced to halt operations and supply chain constraints further disrupted the production of those that were able to operate. Retail sales fell more-than-expected, by 11.1 y/y (Mar: -3.5%), compared to the forecast of 6.6% decline as consumer's retail spending fell for the second straight month. The surveyed jobless rate rose to 6.1% in the same month (Mar: 5.8%). On the same day, the PBOC had maintained the 1Y medium term lending facility rate (MLF) unchanged at 2.85%.

#### House View and Forecasts

FX	This Week	2Q-22	3Q-22	4Q-22	1Q-23
DXY	103-106	106.00	108.00	105.00	103.00
EUR/USD	1.02-1.05	1.02	1.00	1.01	1.03
GBP/USD	1.20-1.23	1.21	1.20	1.22	1.24
AUD/USD	0.67-0.70	0.69	0.68	0.69	0.70
USD/JPY	127-131	133.00	135.00	133.00	132.00
USD/MYR	4.37-4.43	4.38	4.40	4.38	4.35
USD/SGD	1.39-141	1.39	1.40	1.38	1.37

Rates, %	Current	2Q-22	3Q-22	4Q-22	1Q-23
Fed	0.75-1.00	1.25-1.50	2.00-2.25	2.50-2.75	2.50-2.75
ECB	-0.50	-0.50	-0.50	-0.25	-0.25
BOE	1.00	1.25	1.25	1.25	1.25
RBA	0.35	0.50	0.75	1.00	1.25
BOJ	-0.10	-0.10	-0.10	-0.10	-0.10
BNM	2.00	2.00	2.25	2.25	2.50

Source: HLBB Global Markets Research

#### Up Next

Date	Events	Prior
17/05	SG Non-oil Domestic Exports YoY (Apr)	7.7%
	AU RBA Minutes of May Policy Meeting ()	
	UK Payrolled Employees Monthly Change (Apr)	35k
	UK Average Weekly Earnings 3M/YoY (Mar)	5.4%
	UK ILO Unemployment Rate 3Mths (Mar)	3.8%
	UK Employment Change 3M/3M (Mar)	10k
	EZ Employment QoQ (1Q P)	0.5%
	EZ GDP SA QoQ (1Q P)	0.2%
	US Retail Sales Advance MoM (Apr)	0.7%
	US Industrial Production MoM (Apr)	0.9%

	US NAHB Housing Market Index (May)	77.0
18/05	JP GDP SA QoQ (1Q P)	1.1%
	AU Westpac Leading Index MoM (Apr)	0.35%
	AU Wage Price Index YoY (1Q)	2.3%
	JP Industrial Production MoM (Mar F)	0.3%
	UK CPI YoY (Apr)	7.0%
	EZ CPI YoY (Apr F)	7.4%
	US MBA Mortgage Applications (41395)	--
	US Building Permits MoM (Apr)	0.3%
	US Housing Starts MoM (Apr)	0.3%

Source: Bloomberg

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