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Global Markets Research

Daily Market Highlights

17-June: BOE and SNB hiked rates

BOE MPC voted 6-3 to deliver a cautious 25bp rate hike

SNB lifted policy rate by 50bps from record low level in a surprised move

Stocks battered alongside lower USD; safe haven bids pressured treasury yields

- US and European stocks took a beating on Thursday, failing to maintain the post-FOMC momentum amid a slew of rate hikes by central banks around the world. The Dow Jones fell 741pts or 2.4% to finish below 30,000 while the S&P 500 notched a 3.3% decline amid a broad-based sectoral selloff. Tech-focus NASDAQ shed a whopping 4.1%.

- European benchmarks closed lower earlier, with the STOXX Europe 600 plummeting by over 3.0% after the Swiss National Bank announced a surprised 50bp rate hike. The FTSE 100 dropped 3.1% as the BOE raised the bank rate cautiously by 25bps. Stock futures are pointing down sharply in Asia this morning, as the Hong Kong and Japan markets look ready for a day of selling.

- Treasury yields retreated further by 7-10bps as risk aversion prompted investors to flee into safer government debts. The yield on the benchmark 2Y UST notes dropped 10bps to 3.10% while the 10Y yield pulled back 9bps to 3.20%.

- The dollar index tanked 1.5% to 103.63, marking its largest single-day fall since March 2020 during the early days of the global pandemic. The decline was driven by the strength in CHF, GBP, JPY and EUR which rose at least 1.0%.

- CHF surged 2.8% to 0.9666 after the SNB unexpectedly raised its policy rate by 50bps to -0.25%, from the record low -0.75% level it has maintained since 2015, marking its first rate hike in 15 years as it joined the hawkish central bank group to fight inflation.

- MYR closed 0.2% higher against the USD 4.4030 on Thursday following the post-FOMC dollar reversal and the extended weakness in the broad USD should continue to support the local unit, trading at 4.39-4.40 levels ahead of the weekend.

- Gold prices rallied 1.7% to $1845.7/oz alongside the lower USD. Oil rebounded from the recent selloff – WTI posted 2.0% gain to $117.59/barrel while Brent rose 1.1% to $119.81/barrel.

Bank of England MPC voted 6-3 to increase bank rate by 25bps:

- The Bank of England increased the bank rate by 25bps to 1.25%, holding against the pressure for a 50bp rate hike. The MPC voted 6-3 to arrive at the decision, taking the policy rate to its highest level in nearly 14 years and marking its fifth successive hikes since December last year to tighten policy and fight inflation.
- It expects CPI to be over 9% for the next few months and to go slightly above 11% in October given the prospects of Ofgem price cap increase in that particular month. The second quarter GDP is expected to fall by 0.3% q/q as consumer and business sentiments weaken. It said that job indicators remain consistent with a

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	29,927.07	-2.42
S&P 500	3,666.77	-3.25
NASDAQ	10,646.10	-4.08
Stoxx 600	402.88	-2.47
FTSE 100	7,044.98	-3.14
Nikkei 225	26,431.20	0.40
Hang Seng	20,845.43	-2.17
Straits Times	3,097.43	-0.27
KLCI 30	1,472.77	0.94
FX		
Dollar Index	103.63	-1.45
EUR/USD	1.0549	1.01
GBP/USD	1.2352	1.41
USD/JPY	132.21	-1.22
AUD/USD	0.7047	0.63
USD/CNH	6.6843	0.23
USD/MYR	4.4030	-0.21
USD/SGD	1.3834	-0.20
Commodities		
WTI ($/bbl)	117.59	1.98
Brent ($/bbl)	119.81	1.10
Gold ($/oz)	1,845.70	1.67

Source: Bloomberg, HLBB Global Markets Research tight labour market. The BOE also expects the recently announced government's Cost of Living Support package to boost GDP by around 0.3ppts and raise CPI inflation by 0.1ppts in the first year.

- It also changed its forward guidance with regards to future rates path, saying that it would be "particularly alert to indications of more persistent inflationary pressures, and will if necessary act forcefully in response" versus the previous statement of "some degree of further tightening in monetary policy may still be appropriate in the coming months".
- The accompanying meeting statement showed that the majority of the members who favoured a 25bp increase thought that demand might be starting to slow, in line with the May forecasts. The remaining three members who preferred a 50bp adjustment judged that the MPC faster tightening now would help to bring inflation back to the 2.0% target sustainably in the medium term, and reduce the risks of a more extended and costly tightening cycle later.

US homebuilding activity slowed in May; initial jobless claims at 229k last week:

- US May housing starts plunged by 14.4% m/m to just-over-a-year low of 1.55mil annualised rate, following an upwardly revised 5.5% gain in April. Analysts had expected only a modest 1.8% decline for last month. Building permits also fell more than expected, by 7.0% m/m (Apr: -3.0%), versus the expectations of 2.5% fall. The fall in home building activity again reflects the impact of supply chain constraint as well as higher interest rates that have started to dampen the housing market outlook.
- The Philadelphia Fed headline manufacturing index turned negative at -3.3 in June (May: 2.6) as new orders plunged and shipment slowed this month, adding to signs of easing manufacturing operating conditions.
- Initial jobless claims fell by slightly to 229k for the week ended 11 June (prior: 232k), despite the previous week's sharp increase, suggesting that layoffs may be picking up despite the overall tight labour market conditions. The 4-week moving average continued to climb to 218.5k last week.

Eurozone's labour cost surged in 1Q22:

- The Eurozone's labour cost index rose by 3.2% y/y in the first quarter of 2022, extending from the 1.9% rise in 4Q21. The reading was consistent with the tight labour market conditions in the bloc, where the unemployment rate was seen dropping to a record low of 6.8% in February and had been holding to this level since.

Australia's job data remained solid:

- Strong showings of Australia's job data reflect the solid labour market conditions and may pressure the RBA to do more in terms of policy tightening. Unemployment rate was unchanged at 3.9% in May, as the participation rate picked up to 66.7%, from 66.4%.
- The headline employment rose 60.6k in May, beating the consensus forecast of 25k, following the meagre 4.4k increase in April. Full-time jobs contributed to the gains as part-time jobs fell further.

New Zealand PMI improved in May:

- Manufacturing PMI improved again, to 52.9 in May from the 51.2 in April, driven by sharp rebound in production (+3.4ppt vs -1.0ppt) and employment (+3.2ppt vs -2.4ppt). New orders however expanded at a slower pace, believed to be hampered by slower external demand and constraints in the supply chain.

House View and Forecasts

FX	This Week	2Q-22	3Q-22	4Q-22	1Q-23
DXY	102-106	106.00	108.00	105.00	103.00
EUR/USD	1.03-1.06	1.02	1.00	1.01	1.03
GBP/USD	1.20-1.24	1.21	1.20	1.22	1.24

AUD/USD	0.68-0.71	0.69	0.68	0.69	0.70
USD/JPY	131-135	133.00	135.00	133.00	132.00
USD/MYR	4.40-4.45	4.38	4.40	4.38	4.35
USD/SGD	1.38-1.40	1.39	1.40	1.38	1.37

Rates, %	Current	2Q-22	3Q-22	4Q-22	1Q-23
Fed	1.50-1.75	1.50-1.75	2.50-2.75	3.00-3.25	3.00-3.25
ECB	-0.50	-0.50	0.00	0.50	0.50
BOE	1.25	1.25	2.00	2.00	2.00
RBA	0.85	0.85	1.60	1.60	1.60
BOJ	-0.10	-0.10	-0.10	-0.10	-0.10
BNM	2.00	2.00	2.50	2.50	2.75

Source: HLBB Global Markets Research

Up Next

Date	Events	Prior
17/06	SG Non-oil Domestic Exports YoY (May)	6.4%
	JP BOJ Policy Balance Rate (42887)	-0.1%
	MA Exports YoY (May)	20.7%
	UK Retail Sales Inc Auto Fuel MoM (May)	1.4%
	HK Unemployment Rate SA (May)	5.4%
	EZ CPI YoY (May F)	7.4%
	US Industrial Production MoM (May)	1.1%
	US Leading Index (May)	-0.3%
20/06	NZ Performance Services Index (May)	51.4
	UK Rightmove House Prices YoY (Jun)	10.2%
	CN 1-Year Loan Prime Rate (43983)	3.7%

Source: Bloomberg

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