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Global Markets Research
Daily Market Highlights

18-Feb: Risk aversion boosted safe assets

US stocks suffered steep selloff on geopolitical uncertainties
Haven demand boosted treasuries, JPY, CHF & gold
Japan's inflation weaker than expected in January

- US stocks tumbled in another risk-off session as geopolitical tensions and the prospects of a steeper rate hike weighed on equities. The Dow Jones recorded its worst day in 2022 thus far, plummeting by 622pts or 1.8%; the S&P 500 fell 2.1% while NASDAQ dived 2.9% as tech shares suffered the most intense selloff. Stocks slumped in Europe earlier and saw mixed performances in Asia.

- In the bond market, US treasury yields continued to decline amid a rush to safe assets; the yield on the benchmark 10Y UST edged lower by 7.7bps to 1.96%. Overall yields were down by 5.1 to 8.3bps across the board.

- The dollar recorded mixed performance overnight as it weakened against safe haven currencies i.e., the JPY and CHF which topped the G10 basket as well as the GBP supported by BOE rate hike expectations. The dollar strengthened against EUR, AUD and CAD modestly. The dollar index managed to pick up 0.1%.

- USD/MYR closed little changed (+0.07%) at 4.1875 on Thursday. The risk-off flow driven by geopolitical uncertainties as well as pre-weekend caution may support the USD today, rendering a breach of 4.1900 possible, although the pair may still be capped within a tight range by the continuously cautious market sentiment.

- Haven demand and mixed USD performances boosted gold prices by 1.6% as it hit the $1900 level for the first time since June last year. Oil prices were weighed down by risk aversion, closing lower by around 2.0%. Brent crude fell to $92.97/barrel and WTI at $91.76/barrel.

Homebuilding activity stalled by cold weather; initial jobless claims rose:

- US housing starts declined for the first time in four months as the colder-than-usual January weather led developers to delay their projects. Housing starts fell 4.1% m/m, following a downwardly revised gain of 0.3% prior. The modest 0.7% m/m increase in building permits and the upward adjustment to December's number (Dec: +9.8%) indicates that building activity will return and remain robust at least in the first half of 2022.
- Initial jobless claims unexpectedly rose to 248k for the week ended 12 Feb (prior: 225k), versus the expected decline to 218k. The increase, however, came mostly from just a few states of Missouri, Ohio and Kentucky while the rest of the country reported declines. The easing in the Omicron wave will likely help bring down the number soon.
- The Philadelphia Fed Business Outlook slipped to 16.0 in February, from 23.2 in January.

Japan inflation weaker than expected:

- Japan's CPI ex-fresh food, the Bank of Japan's main inflation gauge, rose 0.2% y/y in January, lower than the consensus forecast of 0.3% and December's inflation of 0.5%. This reflects the softer rise in housing costs and entertainment

Key Market Metrics

Equities		
Dow Jones	34,312.03	-1.78
S&P 500	4,380.26	-2.12
NASDAQ	13,716.72	-2.88
Stoxx 600	464.55	-0.69
FTSE 100	7,537.37	-0.87
Nikkei 225	27,232.87	-0.83
Hang Seng	24,792.77	0.30
Straits Times	3,441.57	0.07
KLCI 30	1,605.02	0.11
FX		
Dollar Index	95.80	0.10
EUR/USD	1.1361	-0.11
GBP/USD	1.3616	0.22
USD/JPY	114.94	-0.50
AUD/USD	0.7187	-0.11
USD/CNH	6.3346	0.03
USD/MYR	4.1875	0.07
USD/SGD	1.3432	-0.05
Commodities		
WTI ($/bbl)	91.76	-2.03
Brent ($/bbl)	92.97	-1.94
Gold ($/oz)	1,900.70	1.63

Source: Bloomberg, HLBB Global Markets Research compared to last year. Prices of utilities as well as clothing & footwear registered sharper increases. Inflation has now stayed positive for the fifth consecutive month in Japan but remained comparatively weaker compared to its global peers and below the BOJ's 2.0% target. This further supports the claims that the BOJ may still keep its ultra-loose policy intact this year.

Singapore's NODX sustained growth:

- Singapore's non-oil domestic exports rose 5.6% m/m in January, quickening from the 2.6% growth prior. On a y/y basis, NODX rose 17.6% y/y (Dec: +18.4%) as shipments to its key trading partners continued to hold up despite the virus resurgence. Electronics exports sustained a double-digit growth rate of 14.0% y/y while non-electronics also rose 18.6% y/y.

Australia's hiring rose despite Omicron wave:

- Australia's job growth slowed last month as the country faced the new Omicron wave but the reading turned out better than expected. Headline employment rose by 12.9k in January (Dec: +64.8k), versus the consensus estimate of zero job gains. The decline in full-time jobs (-17.0k) was offset by the rise in part-timers (+30k). Unemployment rate held steady at 4.2%. Nonetheless, the overall reading suggests that the labour market conditions were strong and it is able to withstand some pandemic related disruptions.

House View and Forecasts

FX	This Week	1Q-22	2Q-22	3Q-22	4Q-22
DXY	95-97	96.15	96.40	96.30	96.30
EUR/USD	1.13-1.15	1.13	1.12	1.12	1.13
GBP/USD	1.34-1.36	1.34	1.33	1.35	1.36
AUD/USD	0.70-0.72	0.72	0.72	0.74	0.75
USD/JPY	114-116	115	116	115	114
USD/MYR	4.17-4.22	4.17	4.15	4.15	4.10
USD/SGD	1.34-1.35	1.35	1.34	1.34	1.33

Policy Rate %	Current	1Q-22	2Q-22	3Q-22	4Q-22
Fed	0.00-0.25	0.50-0.75	0.75-1.00	1.00-1.25	1.25-1.50
ECB	-0.50	-0.50	-0.50	-0.50	-0.50
BOE	0.50	0.75	1.00	1.00	1.00
RBA	0.10	0.10	0.10	0.10	0.25
BOJ	-0.10	-0.10	-0.10	-0.10	-0.10
BNM	1.75	1.75	1.75	1.75	2.00

Source: HLBB Global Markets Research

Up Next

Date	Events	Prior
18/02	UK Retail Sales Inc Auto Fuel MoM (Jan)	-3.7%
	US Existing Home Sales MoM (Jan)	-4.6%
	US Leading Index (Jan)	0.8%
	EZ Consumer Confidence (Feb A)	-8.5
21/02	UK Rightmove House Prices YoY (Feb)	7.6%
	JP Jibun Bank Japan PMI Services (Feb P)	47.6
	JP Jibun Bank Japan PMI Mfg (Feb P)	55.4
	CN 1-Year Loan Prime Rate (21 Feb)	3.7%
	JP Machine Tool Orders YoY (Jan F)	61.4%
	EZ Markit Eurozone Manufacturing PMI (Feb P)	58.7
	EZ Markit Eurozone Services PMI (Feb P)	51.1
	UK Markit/CIPS UK Services PMI (Feb P)	54.1
	UK Markit UK PMI Manufacturing SA (Feb P)	57.3

Source: Bloomberg

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