18 March 2022

Global Markets Research

Daily Market Highlights

18-Mar: Stocks pushed higher despite oil rebound

US stocks on track to close the week higher; dollar took a beating

Oil prices jumped back above $100/barrel as Russia dismissed peace talk progress

Bank of England hiked policy rate three times in a row to 0.75%

- US stocks rallied for the third session in a row as investors digested central banks' tightening and awaited the Friday talk between Presidents Xi and Biden while monitoring the Ukraine-Russia headlines. This was despite the fact that oil prices climbed back above $100/barrel on Thursday. The Dow Jones, S&P 500 and NASDAQ rose 1.2%-1.3%, on track to close out the week with gains. Stocks saw mixed performances in Europe earlier and extended gains in Asia. The Hang Seng Index jumped another 7.0% after the 8.7% increase previously. President Xi vowed to keep the economic and social impacts of Covid measures low.

- Front-to-medium end treasury yields retreated around 1.4-3.7bps following the up moves in the prior session when the Fed announced a rate hike. Long term yields ended higher. The benchmark 10Y UST fell 1.4bps to 2.17%.

- In the FX market, the USD weakened while the AUD/USD (+1.2%) led the rally among G10 currencies as oil prices rebounded. The dollar index shed another 0.7% to 97.97. GBP/USD spiked to as high as 1.3211 after the BOE hiked rate before pulling back to close the session unchanged at 1.3149.

- USD/MYR rebounded from the session's low of 4.1825 to close at 4.1960 on Thursday, little changed (-0.04%) from the previous day. Support to MYR may come in the form of higher oil prices today amid a broadly weaker greenback, but pre-weekend caution may limit the USD/MYR's downsides.

- Gold futures recovered 1.8% to $1943.20/oz, snapping a four-day losing streak. Crude oil prices staged a dramatic rebound as a Kremlin spokesman labelled a recent report of major peace talk progress between Russia and Ukraine as wrong. This came as the International Energy Agency (IEA) warned of a prospect of large-scale disruptions to Russian oil production that would create a global oil supply shock. Brent crude shot up 8.8% to $106.64/barrel while WTI gained 8.4% to $102.98/barrel.

Bank of England hiked rate to 0.75% as expected:

- The Bank of England MPC voted 8-1 to hike the benchmark Bank Rate from 0.5% to 0.75% on Thursday, marking its third successive rate hike since December, pushing rates back to the pre-pandemic level. The BOE judged that the lift-off is appropriate taking into account the current tightness of the labour market, continuing signs of robust domestic cost and price pressures, and the risk that those pressures will persist. Inflation is expected to increase further in the coming months, to around 8.0% in 2Q22 and "perhaps even higher" later this year. There is also the potential exacerbation of the global supply chain disruptions resulting from the Russian invasion of Ukraine.
- The MPC stressed the primacy of price stability in its monetary policy framework, meaning that it must focus on combating high inflation. The economy has been

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	34,480.76	1.23
S&P 500	4,411.67	1.23
NASDAQ	13,614.78	1.33
Stoxx 600	450.49	0.45
FTSE 100	7,385.34	1.28
Nikkei 225	26,652.89	3.46
Hang Seng	21,501.23	7.04
Straits Times	3,322.71	0.97
KLCI 30	1,590.88	1.24
FX		
Dollar Index	97.97	-0.65
EUR/USD	1.1091	0.51
GBP/USD	1.3149	0.00
USD/JPY	118.60	-0.11
AUD/USD	0.7376	1.18
USD/CNH	6.3631	-0.01
USD/MYR	4.1960	-0.04
USD/SGD	1.3536	-0.38
Commodities		
WTI ($/bbl)	102.98	8.35
Brent ($/bbl)	106.64	8.79
Gold ($/oz)	1,943.20	1.78

Source: Bloomberg, HLBB Global Markets Research subjected to a succession of very large shocks, such as the invasion. It acknowledged that the UK aggregate income and spending may be weighed further should global energy and tradable goods prices remain elevated but stressed that this is something "monetary policy is unable to prevent". The MPC signalled more hikes to come, maintaining that "some further modest tightening in monetary policy may be appropriate in the coming months".

US manufacturing output rose; homebuilding activity picked up:

- Industrial production in the US rose 0.5% m/m in February, matching the consensus forecast. Output growth slowed from the 1.4% rate in January, reflecting the lower utilities output. Manufacturing production gained 1.2% m/m, its strongest in four months as supply chain disruptions eased prior to the Russia-Ukraine war and before the lockdown of Shenzhen.
- Housing starts rose 6.8% m/m in February to the seasonally adjusted 1.77mil annualised rate, its best reading since 2006. This followed the 5.5% m/m decline in January, suggesting that homebuilding activity began to pick up after the weather turned warmer and the Omicron outbreak eased. Building permits fell 1.9% m/m in the same month (Jan: +0.5%) to 1.86million units.
- Initial jobless claims fell by 15k to 214k last week, from the revised 229k previously as the robust US economy was able to sustain hiring activity.
- The Philadelphia Fed Manufacturing Index jumped to 27.4 in March, up from 16.0 in February, pointing to rapid expansion of manufacturing activity.

Eurozone's inflation surged to 5.9%:

- The Eurozone's February HICP inflation rate was revised higher to 5.9% y/y in February, from 5.8% initial estimate. The latest reading is the series' record high as energy prices were seen 32.0% y/y higher compared to the same month last year. Inflation was broad-based as prices of services, food, alcohol & tobacco and non-energy industrial goods also picked up at a much faster pace. The core CPI rate also accelerated to 2.9% y/y, from 2.4% prior. Last week, the ECB had decided to revise its asset purchase program and signalled its ending in the third quarter this year.

Japan's inflation accelerated in February, still way below 2%:

- Japan's CPI ex-fresh food, a key inflation gauge of the Bank of Japan, rose 0.6% y/y in February (Jan: +0.2%), besting the consensus estimate of 0.5% thanks to the higher energy prices. A narrower reading that excludes both fresh food and energy inflation, however, showed that consumer prices fell 1.0% y/y (Jan: -1.1%), suggesting that the underlying inflation remained weak. The BOJ is expected to keep its policy unchanged later today given that the CPI-ex fresh food rate remains well below its 2% target.

Hong Kong's unemployment rate jumped as Omicron wave hit city:

- Hong Kong's unemployment rate jumped to 4.5% in February, from 3.9% as the stricter Covid restrictions put in place to combat the Omicron outbreak unravelled the job market recovery for the previous four months. Analysts had been expecting the jobless rate to climb more modestly to 4.2%. Hong Kong's Covid-19 cases began to surge exponentially after the Lunar New Year celebration to the tens of thousands daily, marking its worst Covid-19 wave thus far. While the number of new cases had gone down, the city's low vaccination rates, particularly among the elderlies continued to complicate the effort to further bring down the numbers.

Singapore's NODX growth slowed in February:

- Singapore's non-oil domestic exports fell 2.8% m/m in February (Jan: +5.0%), leaving the 12-month NODX growth to slow down to 9.5% y/y, from 17.6%. Analysts had been expecting NODX to sustain a double-digit growth of 16.5%. The weaker than expected reading reflects softer Chinese shipment last month

(+19.2% y/y) as well as the fall in exports to the US (-4.8% y/y) and emerging markets (-29.6% y/y). Product-wise, both electronics and non-electronics exports also underperformed compared to the previous month, recording 11.6% y/y and 8.8 % y/y gain respectively.

Strong Australian job data pushed up expectations for RBA rate hike:

- Australia's stronger than expected February job data highlight the labour market resilience and may help boost the expectations of RBA rate hikes this year. Australia's headline job gains came in at 77.4k in February, versus forecasts of 37.0k while January data were also revised upwards to 28.3k. Job growth came primarily in full-time employment (+121.9k) as part-timers fell 44.5k. The unemployment rate dropped further to 13.5-year low of 4.0%, from 4.2% prior even as the participation rate climbed to 66.4%, from 66.2% previously.
- The RBA had been putting off the idea of lifting the cash rate this year, currently at the record low of 0.25%, citing the need for inflation to stay sustainably within its target 2-3% range. It was unclear whether the February's job report will nudge the central bank from the neutral stance but the combination of the strong hiring activity and surging inflation (and expectations) likely adds some renewed pressure on the RBA.

House View and Forecasts

FX	This Week	1Q-22	2Q-22	3Q-22	4Q-22
DXY	97-100	96.15	96.40	96.30	96.30
EUR/USD	1.07-1.10	1.13	1.12	1.12	1.13
GBP/USD	1.29-1.32	1.34	1.33	1.35	1.36
AUD/USD	0.71-0.73	0.72	0.72	0.74	0.75
USD/JPY	117-119	115	116	115	114
USD/MYR	4.17-4.22	4.17	4.15	4.15	4.10
USD/SGD	1.35-1.37	1.35	1.34	1.34	1.33

Rates, %	Current	1Q-22	2Q-22	3Q-22	4Q-22
Fed	0.00-0.25	0.25-0.50	0.75-1.00	1.25-1.50	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
18/03	JP BOJ Policy Balance Rate (18 Mar)	-0.1%
	MA Exports YoY (Feb)	23.5%
	EZ Trade Balance SA (Jan)	-9.7b
	EZ Labour Costs YoY (4Q)	2.5%
	US Existing Home Sales MoM (Feb)	6.7%
	US Leading Index (Feb)	-0.3%
21/03	NZ Exports NZD (Feb)	4.86b
	UK Rightmove House Prices YoY (Mar)	9.5%
	CN 1-Year Loan Prime Rate (21 Mar)	3.7%
	HK CPI Composite YoY (Feb)	1.2%
	US Chicago Fed Nat Activity Index (Feb)	0.69

Source: Bloomberg

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