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Global Markets Research
Daily Market Highlights

18-July: US data point to 75bp rate hike in July

Stocks rallied on Friday on US retail sales data
Weaker prospects of 100bp rate hike pressured dollar; Brent regained $100 handle
ECB meeting in focus this week; BOJ to maintain accommodative policy

- US stocks rallied on Friday as retail sales data emerged better than expected. The Dow Jones jumped 658pts or 2.2%; the S&P 500 and NASDAQ gained 1.9% and 1.8% respectively. European stocks also closed higher earlier, despite political uncertainties in Italy and persistent energy concerns. STOXX Europe 600 rose 1.8% whereas DAX and CAC 40 were seen pushing higher by over 2%. In Asia, Chinese and Hong Kong shares fell after the weak China's GDP reading.

- UST yields retreated on Friday as the market further reduced expectations that the Fed will hike the Fed funds rate by 100bps later this month. The yield on the benchmark 2Y UST note ticked 1bp lower to 3.13% while the benchmark 10Y yield dropped 4bps to 2.92%.

- The dollar index pared recent gain, ending 0.4% lower at 108.06 amid the lower prospects of a 100bp rate hike. The greenback pulled back to trade lower against most G10 currencies with the Swedish krona being the top performing unit (+1.0%) on Friday. The EUR closed 0.6% higher at 1.0080 ahead of this week's ECB rate hike. Most G10 peers traded 0.6-0.7% higher versus the dollar, except the GBP and JPY which underperformed at +0.3%.

- The Asia ex Japan basket recorded mixed performance earlier on Friday. KRW was the worst performing currency (-1.1%) whereas Philippine peso, THB, TWD weakened modestly (0.2-0.5%). MYR fell 0.1% to close at 4.4495. SGD strengthened 0.3% while CNY, IDR and INR were flat.

- Oil benchmarks rebounded on better risk appetites as US President Biden visited Saudi Arabia to meet the crown prince Mohammed bin Salman. Brent crude surged 2.1% to $101.16/barrel and WTI advanced 1.9% to $97.59/barrel.

- In the week ahead, the ECB is expected to raise its key interest rates by 25bps next week. The BOJ will remain the outlier, maintaining accommodative policy. Key data releases this week include the preliminary PMI readings for the US, Eurozone, UK and Japan.

US data supported case for 75bp rate hike in July:

- A slew of US data released on Friday suggest that the Federal Reserve may opt to raise the Fed funds rate by 75bps to curb inflation, instead of the recently hyped-up 100bp increase. US retail sales rose 1.0% m/m in June (May: -0.1%), versus the 0.9% growth expected. The solid reading highlights solid consumer spending but also higher selling prices.
- Meanwhile, industrial production fell 0.2% m/m in June (May: 0.0%), as manufacturing output fell for the second month (-0.5% m/m), adding to

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	31,288.26	2.15
S&P 500	3,863.16	1.92
NASDAQ	11,452.42	1.79
Stoxx Eur 600	413.78	1.79
FTSE 100	7,159.01	1.69
Nikkei 225	26,788.47	0.54
Hang Seng	20,297.72	-2.19
Straits Times	3,099.15	0.28
KLCI 30	1,418.44	-0.11
FX		
Dollar Index	108.06	-0.44
EUR/USD	1.0080	0.62
GBP/USD	1.1855	0.26
USD/JPY	138.57	-0.28
AUD/USD	0.6793	0.64
USD/CNH	6.7607	-0.01
USD/MYR	4.4495	0.11
USD/SGD	1.4001	-0.28
Commodities		
WTI ($/bbl)	97.59	1.89
Brent ($/bbl)	101.16	2.08
Gold ($/oz)	1,703.60	-0.13
Copper ($$/MT)	7,190.50	0.29
Aluminum ($/MT)	2,343.00	0.28
CPO (RM/tonne)	3,990.00	-0.25

Source: Bloomberg, HLBB Global Markets Research

evidence of weaker factory conditions nationwide. The NY Fed Empire State Manufacturing Index jumped over 12pts back to positive territory in July, its first expansion in three months but alarmingly, the survey reported negative six-month ahead business conditions for the first time in 13 years.
- Import price inflation eased in June. Import price index rose 0.2% m/m (May: +0.5%) and the annual y/y rate fell to 10.7% (May: +11.6%).
- The University of Michigan Sentiment showed that consumer sentiment was little changed this month as the index remained near the all-time lows. The headline index of consumer sentiment ticked up marginally to 51.1 in July (Jun: 50.0), as inflation continues to erode personal finance.

China's economy contracted 2.6% in second quarter:
- China's GDP contracted by 2.6% q/q in the second quarter of 2022 (1Q: +1.3%), reflecting the impact of Shanghai lockdown and tighter restrictions in other cities to contain Covid-19. On a y/y basis, GDP expanded by 0.4% (1Q: +4.8%), underperforming the 1.2% consensus forecast.
- The accompanying June monthly indicators turned out rather decent with industrial production growth accelerating to 3.9% y/y (May: +0.7%) as economic activity revived following the reopening of Shanghai and port logistics issues eased. Retail sales beat expectations, rising 3.1% y/y in June (May: -6.7%) versus the forecast of 0.3%, supported by pent-up demand. The surveyed jobless rate fell to 5.5% (May: 5.9%).
- The fixed asset investment rose 6.1% y/y on a YTD basis (prior: +6.2%). The property market continued to be affected by regulations and weaker demand. Property investment fell 5.4% y/y YTD (prior: -4.0%) while residential property sales were down by 31.8% y/y YTD (prior: -34.5%).
- The PBOC refrained from loosening policy by maintaining the 1Y MLF rate at 2.85%,

Eurozone posted lower trade deficit in May:
- The Eurozone's trade deficit narrowed to €26.0b in May, from €31.8b thanks to the stronger export growth of 4.8% m/m versus the 2.0% m/m increase in imports. The Eurozone has now posted seven consecutive trade deficits in a row since November last year, reflecting the impact of high energy prices that boosted the overall import value.

NZ inflation hit fresh 32-year high:
- New Zealand's CPI inflation eased to 1.7% q/q in the second quarter, from 1.8% in the first quarter, but higher than the consensus forecast of 1.5%. Compared to a year ago, consumer prices were 7.3% y/y higher, versus 6.9% in 1Q and 7.1% forecast. The annual rate of reading was the highest in 32 years and exceeded the RBNZ's expectations that inflation might peak at 7% this year. The central bank has just raised its benchmark rate by 50bps for the third consecutive time last week and signalled more rate hikes to come.
- The BNZ Performance of Services Index rose to 55.4 in June (May: 55.3), indicating continuous expansion in the country's services sector. BNZ said that the loosening of Covid restrictions and the reopening of the border has been providing the basis for sustained improvement in New Zealand's services sector.

House View and Forecasts

FX	This Week	3Q-22	4Q-22	1Q-23	2Q-23
DXY	107-110	106.00	105.00	103.00	102.00
EUR/USD	0.97-1.00	1.02	1.03	1.05	1.04
GBP/USD	1.16-1.19	1.21	1.22	1.24	1.23
AUD/USD	0.66-0.68	0.67	0.69	0.70	0.70
USD/JPY	136-140	138.00	135.00	133.00	132.00
USD/MYR	4.42-4.45	4.42	4.40	4.38	4.35

USD/SGD	1.39-1.41	1.40	1.38	1.37	1.36

Rates, %	Current	3Q-22	4Q-22	1Q-23	2Q-23
Fed	1.50-1.75	2.50-2.75	3.00-3.25	3.00-3.25	3.00-3.25
ECB	-0.50	0.25	0.50	0.50	0.50
BOE	1.25	1.75	2.00	2.00	2.00
RBA	1.35	1.60	1.85	1.85	1.85
BOJ	-0.10	-0.10	-0.10	-0.10	-0.10
BNM	2.25	2.50	2.75	2.75	2.75

Up Next

Date	Events	Prior
18/07	SG Non-oil Domestic Exports YoY (Jun)	12.4%
	US NAHB Housing Market Index (Jul)	67.0
19/07	AU RBA Minutes of July Policy Meeting	
	UK Payrolled Employees Monthly Change (Jun)	90k
	UK Average Weekly Earnings 3M/YoY (May)	6.8%
	UK ILO Unemployment Rate 3Mths (May)	3.8%
	UK Employment Change 3M/3M (May)	177k
	EZ CPI YoY (Jun F)	8.1%
	US Housing Starts MoM (Jun)	-14.4%
	US Building Permits MoM (Jun)	-7.0%

Source: Bloomberg

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