18 October 2022

Global Markets Research

Daily Market Highlights

18 Oct: US stocks up on positive corporate earnings

New UK Finance Minister Hunt reversed Truss's fiscal plan

GBP rallied 1.7%; UK gilts saw yields pulling back sharply by 33-45bps

China kept 1Y medium term rate unchanged at 2.75%; postponed 3Q GDP results

- Stocks rose sharply on Monday as investors weighed key earnings reports after a wild week of trading. The Dow Jones Industrial Average gained 1.9% d/d, S&P by +2.7% while the NASDAQ were up 3.4% d/d. Better than expected earnings from Bank of America and Bank of New York Mellon boosted the equity markets. Many notable technology names are also reporting this week, including Netflix, Tesla and IBM. Johnson & Johnson, United Airlines, AT&T, Verizon and Procter & Gamble are other big companies on investors' radar.

  Shares in Asia, meanwhile, were mixed as recession fears weigh in over expectations of continued tighten monetary policy. Nikkei fell 1.2% d/d while the Straits Times declined 0.8% d/d. Hang Seng and KLCI were relatively flat at +0.2% d/d and +0.3% d/d.

- The 10-year treasury bills edged down slightly by 1bps to 4.01% and the 2-year treasury yield was down 5bps to 4.45%, as investors looked to earnings reports to assess the impact of persistent inflation and paid close attention to U.K. economic turmoil that has been weighing on global bond markets.

- New UK Finance Minister Jeremy Hunt announced that almost all planned tax cuts would be scrapped and this sent the pound appreciating 1.7% d/d to 1.1358 against the Dollar. Bonds saw a relief rally, driving yields lower especially for longer-dated bonds. 30-year index-linked gilt yields were down 40 bps to 4.36%. The 10-year gilt yields fell 36bps to 3.96%. Yields on 5-year and 2-year gilts also slid 37bps and 33bps respectively.

- Dollar index retracted to decline 1.1% d/d to 112.104. The Euro gained 1.2%, while the JPY continued to hover at 32-year low against USD at 149.04 and poised to invite BOJ's intervention as it approaches the 150 key level. In Asia, the CNH and AUD strengthened 0.2% d/d and 1.5% d/d against the Dollar. It should be noted that China will also be delaying its 3Q GDP release originally scheduled today. Ringgit, meanwhile continued to depreciate 0.3% d/d to 4.7168.

- Oil prices were barely changed as traders contend with dimming demand outlook and tightening crude supplies. Price of the West Texas Intermediate was down slightly by 0.2% d/d to $85.46/barrel, while Brent increased marginally by 0.2% d/d to $91.62/barrel. Gold advanced 1.0% d/d to $1,657/oz on weakened Treasuries as sentiment improved after UK

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	30,185.82	1.86
S&P 500	3,677.95	2.65
NASDAQ	10,675.80	3.43
Stoxx Eur 600	398.48	1.83
FTSE 100	6,920.24	0.90
Nikkei 225	26,775.79	-1.16
Hang Seng	16,612.90	0.15
Straits Times	3,015.75	-0.78
KLCI 30	1,386.27	0.27
FX		
Dollar Index	112.04	-1.12
EUR/USD	0.9841	1.22
GBP/USD	1.1358	1.66
USD/JPY	149.04	0.25
AUD/USD	0.6291	1.48
USD/CNH	7.2091	-0.16
USD/MYR	4.7168	0.26
USD/SGD	1.4214	-0.32
Commodities		
WTI ($/bbl)	85.46	-0.18
Brent ($/bbl)	91.62	-0.01
Gold ($/oz)	1,657.00	0.93
Copper ($$/MT)	7,562.50	0.32
Aluminum($/MT)	2,229.00	-3.34
CPO (RM/tonne)	3,720.00	2.44

Source: Bloomberg, HLBB Global Markets Research government's U-turn. Bullion gain were also helped by its safe haven status amidst continued worries over global economic slowdown as a result of central banks tighten monetary policies.

US Empire State manufacturing fell to -9.1

- Business activity declined in New York State in October, with the headline general business conditions index falling eight points to -9.1. New orders, unfilled orders, and shipments were all little changed from last month. Delivery times held steady, and inventories inched higher. Labor market indicators pointed to a small increase in employment and the average workweek. Input price increases picked up, while the pace of selling price increases held steady. Looking ahead, firms do not expect business conditions to improve over the next six months.

New UK finance minister Hunt reversed Truss's economic plan, UK house prices rose

- New finance minister Jeremy Hunt scrapped Prime Minister Liz Truss's economic plan and scaled back her vast energy subsidy, launching one of the biggest fiscal policy U-turns in the UK to stem a dramatic loss of investor confidence. Under the new policy, Hunt scrapped the cut in the lowest rate of income tax from 20% to 19%, as well as cuts to dividend tax rates, the reversal of off-payroll working reforms, VAT claim-backs for tourists and the freeze on alcohol duty rates. The two-year energy support scheme for households and businesses, expected to cost well over 100 billion pounds, will now be curtailed in April. Cuts to stamp duty and National Insurance remain in place. The planned tax cuts would raise 32 billion pounds every year and Hunt will deliver a fuller medium-term fiscal plan as scheduled on Oct. 31, alongside forecasts from the independent Office for Budget Responsibility.
- Rightmove reported that the average price of a property coming to market in October accelerated to +0.9% m/m and +8.7% y/y to a new record of £371,158. First-time buyer demand was 21% lower in the last two weeks compared with 2021, but still significantly higher than in 2019. It also noted that some new movers had paused their plans in the face of uncertainty over prices and rates. It said the vast majority of agreed sales were going ahead, with some buyers accelerating the process to ensure they could proceed with lower fixed-rate mortgage offers before they expired. Prices were reduced on 23% of homes on sale, compared with 21% last month. Moving forward, asking prices are likely to drop in November and December, in line with normal seasonal price changes as more economic uncertainties events to play out before forecasting the market in 2023.

Japan's tertiary index up 0.7% m/m

- Japan's tertiary index were up 0.7% m/m, beating consensus estimate's +0.3% m/m and -0.5% m/m previously. Services and business-related services were up 1.4% m/m and 0.9% m/m respectively, but were unchanged for retail trade.
- Japan's final industrial production was revised upwards to +3.4% m/m and 5.8% y/y in August. This is compared to +2.7% mom and 5.1% y/y the previous month. Production capacity, meanwhile, gained 0.1% m/m and +1.0% y/y to 95.3%.

China kept key policy rate at 2.75%

- Bank of China held its key policy rate steady at 2.75%, which suggests that the central bank will hold its benchmark lending rates unchanged later this month. According to official statement, PBOC also injected 500bn yuan of liquidity via its medium-term lending facility at 2.75%, and 2bn yuan via its 7-day reverse repurchase agreement at an interest rate of 2%, unchanged from previously.

Singapore NODX growth slowed to +3.1% y/y

- Singapore's non-oil domestic exports (NODX) rose at a much slower pace of +3.1% y/y in September (August: +11.4% y/y and consensus: +6.9%) as non-electronics exports growth slowed to +7.6% y/y (August: +16.9% y/y) while electronics decreased 10.6% y/y from a high base a year ago (August: -4.5% y/y). Pharmaceuticals (+22.4% y/y), measuring instruments (+34.2% y/y) and non-monetary gold (+22.2% y/y) contributed the most to the growth in non-electronic NODX. NODX to the top 10 markets as a whole declined for the month due to China and Hong Kong.

House View and Forecasts

FX	This Week	4Q-22	1Q-23	2Q-23	3Q-23
DXY	111-115	115.00	112.70	110.45	110.00
EUR/USD	0.95-1.00	0.95	0.97	0.98	0.98
GBP/USD	1.10-1.15	1.10	1.10	1.11	1.12
USD/JPY	146-150	147.00	146.00	145.00	144.00
AUD/USD	0.60-0.64	0.62	0.63	0.64	0.64
USD/MYR	4.65-4.72	4.68	4.64	4.62	4.60
USD/SGD	1.42-1.44	1.45	1.44	1.42	1.40

Rates, %	Current	4Q-22	1Q-23	2Q-23	3Q-23
Fed	3.00-3.25	4.25-4.50	4.25-4.50	4.25-4.50	4.25-4.50
ECB	1.25	2.75	2.75	2.75	2.75
BOE	2.25	3.25	3.25	3.25	3.25
BOJ	-0.10	-0.10	-0.10	-0.10	-0.10
RBA	2.60	3.10	3.10	3.10	3.10
BNM	2.50	2.75	3.00	3.00	3.00

Source: HLBB Global Markets Research

Up Next

Date	Events	Prior
18-Oct	NZ CPI QoQ (3Q)	1.70%
	EC ZEW Survey Expectations (Oct)	-60.7
	US Industrial Production MoM (Sep)	-0.20%
	US Manufacturing (SIC) Production (Sep)	0.10%
	US NAHB Housing Market Index (Oct)	46
18-31 Oct	CH Industrial Production YoY (Sep)	4.20%
	CH Retail Sales YoY (Sep)	5.40%
	CH Fixed Assets Ex Rural YTD YoY (Sep)	5.80%
19-Oct	AU Westpac Leading Index MoM (Sep)	-0.05%
	CH New Home Prices MoM (Sep)	-0.29%
	MA Exports YoY (Sep)	48.20%
	UK CPI YoY (Sep)	9.90%
	UK Retail Price Index (Sep)	345.2
	UK PPI Output NSA MoM (Sep)	-0.10%
	UK PPI Input NSA MoM (Sep)	-1.20%
	UK House Price Index YoY (Aug)	15.50%
	EC Construction Output MoM (Aug)	0.30%

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EC CPI MoM (Sep F)	1.20%
US MBA Mortgage Applications	--
US Building Permits MoM (Sep)	-10.00%
US Housing Starts MoM (Sep)	12.20%

Source: Bloomberg