19 September 2022

Global Markets Research

Daily Market Highlights

19 Sep: US stocks and oil fell a third straight week

US stocks and bonds remained under pressure on Fed rate hike jittery

USD traded mixed; DXY hovered below 110 critical level

All eyes on FOMC and BOE policy meets this week

- US equities saw continued selloff with the three major stock indices falling 0.5-0.9% d/d on Friday, as lower earnings guidance and "significantly worsened" macro outlook assessment by FedEx sent chills to the markets. In addition, uncertainties surrounding the Fed's next policy move on either a 75bps or 100bps hike this week were stoking risk sentiments. This led stocks to end lower for the third straight week, by over 4.0%.

- European and Asian stocks also ended lower last Friday amid market risk aversion, but futures are pointing to a mixed opening today. China will lift lockdown restrictions on Chengdu effective today while news also reported that Hong Kong may announce an end to its hotel quarantine measures this week.

- The global sovereign bond markets were mixed. The UST curve shifted higher with yields rising 3-8bps across the curve. 2Y note yields rose 8bps to 3.87%, near its highest since 2007, while the 10Y note yields settled 5bps higher at 3.45%.

- The DXY consolidated near the 109 handle, last closed at 109.64 on Friday (-0.09% d/d) but still managed to clock in a 0.6% w/w gain. The USD strengthened against the GBP (-0.4%), CHF (-0.3%), CAD (-0.3%), NOK (-0.3%) and SEK (+0.1%) but weakened against the JPY (+0.4%), NZD (+0.4%), AUD (+0.2%), DKK (+0.2%) and EUR (+0.2%).

- Asian currencies traded mixed against the greenback as well. THB (-0.8%) was the biggest loser, followed by TWD (-0.6%) and PHP (-0.4%) while KRW (+0.4%), CNH (+0.2%) and SGD (+0.2%) strengthened against the USD. USD/CNY traded past the 7.00 key level on Friday's intraday trading but closed just a tad below at 6.9870. MYR closed flat at 4.5350 on Friday, but weakened 0.8% w/w, its first weekly closing above 4.50 a likely sign of bearishness.

- Oil prices advanced 0.3-0.9% d/d but ended the week lower (0.8-0.9%) for a third straight week amid demand fear amid the Fed's unrelentless aggressive policy tightening. Brent crude increased 0.9% d/d to $91.57/ barrel while the WTI rose 0.3% d/d to $85.40/ barrel on Friday.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	30,822.42	-0.45
S&P 500	3,873.33	-0.72
NASDAQ	11,448.40	-0.90
Stoxx Eur 600	408.24	-1.58
FTSE 100	7,236.68	-0.62
Nikkei 225	27,567.65	-1.11
Hang Seng	18,761.69	-0.89
Straits Times	3,268.29	0.01
KLCI 30*	1,467.31	-0.08
FX		
Dollar Index	109.64	-0.09
EUR/USD	1.0016	0.15
GBP/USD	1.1420	-0.41
USD/JPY	142.92	-0.42
AUD/USD	0.6716	0.21
USD/CNH	6.9997	-0.19
USD/MYR*	4.5352	0.00
USD/SGD	1.4070	-0.15
Commodities		
WTI ($/bbl)	85.40	0.34
Brent ($/bbl)	91.57	0.85
Gold ($/oz)	1,673.00	0.56
Copper ($$/MT)	7,809.50	1.27
Aluminum($/MT)	2,283.00	-1.38
CPO (RM/tonne)*	3,763.50	-0.01

Source: Bloomberg, HLBB Global Markets Research
*Note: * closing as at 15 September*

US University of Michigan consumer sentiments improved; inflation expectations softened:

- The University of Michigan consumer sentiments edged up albeit less than expected to 59.5 in September (Aug: 58.2), underpinned by upticks in both the current conditions (58.9 vs 58.6) as well as expectations (59.9 vs 58.0). While this was an improvement for the 3rd consecutive month, and was its highest in five months, sentiments remained near record low level (50.0 in June).
- The easing in 1Y as well as 5-10Y inflation expectations stole the limelight, reinforcing expectations of a 75bps rate hike by the Fed this week. 1Y and 5-10Y inflation expectations dwindled to 4.6% and 2.8% respectively in September's flash estimate (Aug: +4.8% and +2.9%), offering signs inflation expectations is well anchored even as CPI moderated less than expected earlier last week.

EU final August CPI confirmed a surge to record high level:

- Final reading of August CPI ticked higher to a record high of 9.1% y/y as initially estimated (Jul: +8.9% y/y). Inflation gained traction across the board including services, suggesting higher underlying cost pressure in the system. Core CPI edged up to 4.3% in August, from 4.0% a year ago, and shall support the case for another 75bsp rate hike in October.

UK retail sales surprised on the downside; likely restraining BOE's move to 50bps:

- Retail sales fell more than expected by 1.6% m/m in August (Jul: +0.4%), and continued to contract on a y/y basis. Sales ex-auto fuel also contracted at the same pace, implying underlying lackluster demand momentum. This shall prevent the BOE from shifting into a higher gear, likely keeping to a 50bps hike by the BOE this week.

China first tier August data surprised on the upside but downside risks linger:

- Latest economic releases for the month of August revealed that the China government's effort to revive the slowdown in the China economy were bearing fruits although the data prints were skewed by base effect and hot weather to some extent. Industrial production growth quickened more than expected to 4.2% y/y in August (Jul: +3.8%), spurred by higher electricity production during the heatwave in August. Retail sales also saw a pick-up, expanding by 5.4% y/y in August (Jul: +2.7%) while fixed assets investment growth edged higher to 5.8% (Jul: +5.7%), benefitted from post-lockdown boost.
- That said, the recovery prospects remain fragile and is expected to prompt the PBoC to roll out more stimulus and policy loosening, as officials struggled to revive the China economy post Covid-lockdown. In its latest announcement, China will lift the 2.5-week long restrictions on Chengdu effective today (19 September).

Singapore August NODX picked up more than expected:

- Growth in NODX rallied past expectations to increase 11.4% y/y in August. (Jul: +7.0% y/y). Faster expansion in non-electronics exports (namely pharmaceuticals +68.8% and petrochemicals +2.0% y/y) offset the 4.5% y/y contraction in electronics exports (Jul: +10.3% y/y). The quicker expansion, the first in four months, was led by exports to the US and EU, which offset continuous declines in shipment to China (-18.2% vs -21.3% y/y).

Sharp improvement in New Zealand's services sector:

- Services index ticked substantially higher to 58.6 in August, its highest since Apr-21, while July's print was revised higher by 3.2ppt to 54.4, offering optimism the New Zealand economy is on firmer footing. The improvement was broad-based, led by a 13.1ppt jump in new orders, followed by activity/ sales (+12.7ppt).

House View and Forecasts

FX	This Week	3Q-22	4Q-22	1Q-23	2Q-23
DXY	108-112	106.00	105.00	103.00	102.00
EUR/USD	0.99-1.01	1.02	1.03	1.05	1.04
GBP/USD	1.14-1.17	1.21	1.22	1.24	1.23
USD/JPY	140-145	138.00	135.00	133.00	132.00
AUD/USD	0.66-0.68	0.67	0.69	0.70	0.70
USD/MYR	4.50-4.55	4.42	4.40	4.38	4.35
USD/SGD	1.40-1.42	1.40	1.38	1.37	1.36

Rates, %	Current	3Q-22	4Q-22	1Q-23	2Q-23
Fed	2.25-2.50	2.75-3.00	3.25-3.50	3.25-3.50	3.25-3.50
ECB	-0.50	0.75	1.75	2.25	2.75
BOE	1.75	2.25	3.25	3.25	3.25
BOJ	-0.10	-0.10	-0.10	-0.10	-0.10
RBA	1.85	2.35	3.10	3.10	3.10
BNM	2.25	2.50	2.50	2.50	2.50

Source: HLBB Global Markets Research

Up Next

Date	Events	Prior
19/09	HK Unemployment Rate SA (Aug)	4.3%
	EC Construction Output MoM (Jul)	-1.3%
	US NAHB Housing Market Index (Sep)	49
20/09	JN Natl CPI YoY (Aug)	2.6%
	CH 1-Year Loan Prime Rate (44075)	3.65%
	CH 5-Year Loan Prime Rate (44075)	4.3%
	AU RBA Minutes of Sept. Policy Meeting ()	
	MA Exports YoY (Aug)	38.0%
	US Building Permits MoM (Aug)	-0.6%
	US Housing Starts MoM (Aug)	-9.6%

Source: Bloomberg

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