

19 October 2022

Global Markets Research

Daily Market Highlights

19 Oct: Dow rallied on positive corporate earnings

Global equities ended in the green; bonds traded mixed

More muted move in the FX space; GBP reversed gains

Oil prices fell on news the US will release more oil from its stockpile

- Stocks rose for a second straight session on Tuesday as strong corporate earnings reports helped extend a rally to start the week. The Dow Jones Industrial Average gained 1.1%. The S&P 500 and Nasdaq Composite were also up by 1.1% and 0.9% d/d respectively. Goldman Sachs rose 2.3% d/d to boost the Dow after strong trading results helped the investment bank beat expectations for earnings and revenue. American Express was also up 3.1% d/d. Salesforce rose 4.3% after activist Starboard Value LP revealed a stake in the software giant, making the stock the top performer in the Dow. Apple rebounded after briefly turning negative on a report that it was cutting production of its iPhone 14 Plus. In late trading, Netflix jumped after subscriber growth topped estimates. Markets also closed higher in the Asian and European markets, with the latter benefitting from the UK fiscal U-turn. Stoxx Eur 600 gained 0.3% and FTSE 100 was up 0.2% d/d.
- The currency and Treasuries market were relatively tamer. The yields for the 2, 5 and 10-year bonds were all down by less than 2bps to 4.43%, 4.22% and 4.01%, while the yield for the 30-year increased by 1bps to 4.03%
- The Dollar Index was relatively flat at 112.13, despite appreciating marginally against major currencies. Of note, British pound gave up some of its gains, trading 0.3% d/d lower against the dollar. Volatility seemed poised to continue in the UK currency and bond markets as the Bank of England said a Financial Times report that it would delay gilt sales was "inaccurate." The MYR finally snapped a seventh straight day of losing streak, eking out a small 0.03% gain against the USD at 4.7155, pulling back from an intraday and fresh record high since AFC, at 4.7210.
- Gold prices, meanwhile, dipped slightly lower by 0.5% d/d on rates outlook and recession risks. Nevertheless, delegates gathering for the London Bullion Market Association expect prices to rebound strongly next year despite higher interest rate. Accordingly, prices are expected to rise to \$1,830.50/oz by this time next year.
- Prices of the West Texas Intermediate and Brent also fell 3.1% d/d and 1.7% d/d respectively to \$82.82 and \$90.03/barrel. Accordingly, it is reported that Biden administration is moving toward a release of another 10m to 15m barrels of oil from the nation's stockpile to balance markets and keep gasoline prices from rising further.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	30,523.80	1.12
S&P 500	3,719.98	1.14
NASDAQ	10,772.40	0.90
Stoxx Eur 600	399.84	0.34
FTSE 100	6,936.74	0.24
Nikkei 225	27,156.14	1.42
Hang Seng	16,914.58	1.82
Straits Times	3,025.88	0.34
KLCI 30	1,400.36	1.02
FX		
Dollar Index	112.13	0.08
EUR/USD	0.9858	0.17
GBP/USD	1.1320	-0.33
USD/JPY	149.26	0.15
AUD/USD	0.6309	0.29
USD/CNH	7.2241	0.21
USD/MYR	4.7155	-0.03
USD/SGD	1.4208	-0.04
Commodities		
WTI (\$/bbl)	82.82	-3.09
Brent (\$/bbl)	90.03	-1.74
Gold (\$/oz)	1,649.00	-0.48
Copper (\$\$/MT)	7,421.00	-1.87
Aluminum(\$/MT)	2,193.00	-1.62
CPO (RM/tonne)	3,717.00	-0.08

Source: Bloomberg, HLBB Global Markets Research

US home builder confidence down 10 straight months; industrial output grew 0.4% m/m

- Industrial production increased more than expected by 0.4% m/m and 5.3% y/y in September, with manufacturing output sustained a 0.4% m/m increase. The index for mining moved up 0.6% m/m, while the index for utilities fell 0.3% m/m. Capacity utilization rose 0.2ppts to 80.3%, a rate that is 0.7ppts above its long-run (1972–2021) average. Within the manufacturing sector, the indices for durable and nondurable manufacturing rose 0.5% m/m and 0.3% m/m, while the index for other manufacturing (publishing and logging) fell 0.7% m/m. Within durables, gains of at least 1.0% m/m were recorded by nonmetallic mineral products, fabricated metal products, computer and electronic products, and motor vehicles and parts.
- In a further signal that rising interest rates, building material bottlenecks and elevated home prices continue to weaken the housing market, builder sentiment fell for the 10th straight month in October and traffic of prospective buyers fell to its lowest level since 2012. According to the National Association of Home Builders (NAHB)/Wells Fargo Housing Market Index (HMI), builder confidence in the market for newly built single-family homes dropped eight points in October to 38. This is below consensus estimate's 43. All three HMI components posted declines in October. Current sales conditions fell nine points to 45, sales expectations in the next six months declined 11 points to 35 and traffic of prospective buyers fell six points to 25.

Eurozone ZEW sentiments showed slight improvement but remained in deep pessimism

- The ZEW expectations in the Eurozone improved slightly by 1.0 points to -59.7 points in October (Sept: -60.7), but remained deeply pessimistic near the 2008 low during the Global Financial Crisis. The situation indicator dropped very sharply to -70.6 points, losing 11.7 points. Inflation expectations for the Eurozone also declined significantly by 23.7 points to 35.8 points. Germany led the uptick, increasing slightly by 2.7 points to -59.2 points in October. The assessment of the economic situation in Germany, on the other hand, fell sharply by 11.7 points to -72.2. With the current economic situation once again assessed as significantly worse than in the previous month, the probability that real GDP will decline in the course of the next six months has also increased considerably.

Japan holdings of US Treasuries hit lowest since 2019

- Japan holding of US Treasuries fell to the lowest since December 2019, even as the total amount held by foreign investors rose modestly for the same month. Japan, the largest foreign owner of US Treasuries saw its holdings fall \$34.5bn to \$1.2trillion. Chinese stockpile, second after Japan, rose by \$1.8bn to \$971.8bn while UK rose by \$10.1bn to \$644.7bn. Total overseas holdings rose by \$7.8 bn to \$7.5 trillion in August.

New Zealand inflation up 2.2% q/q, 7.2% y/y

- For the September 2022 quarter, New Zealand's inflation rate was up 2.2% q/q and 7.2% y/y (2Q: +1.7% q/q and +7.3% y/y). Food was the top contributor to quarterly inflation, rising 4.1% q/q driven by higher prices for fruit and vegetables. Housing costs, on the other hand, was the largest

contributor to annual inflation, increasing by +8.7% y/y, led by actual rentals for housing.

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
19-Oct	AU Westpac Leading Index MoM (Sep)	-0.05%
	CH New Home Prices MoM (Sep)	-0.29%
	MA Exports YoY (Sep)	48.20%
	MA Imports YoY (Sep)	67.60%
	MA Trade Balance MYR (Sep)	16.92b
	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%
	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%
20-Oct	US U.S. Federal Reserve Releases Beige Book	
	JN Trade Balance (Sep)	-¥2817.3b
	JN Exports YoY (Sep)	22.10%
	JN Imports YoY (Sep)	49.90%
	AU NAB Business Confidence (3Q)	5
	AU Unemployment Rate (Sep)	3.50%
	CH 1-Year Loan Prime Rate	3.65%
	CH 5-Year Loan Prime Rate	4.30%
	JN Tokyo Condominiums for Sale YoY (Sep)	-40.10%
	EC ECB Current Account SA (Aug)	-19.9b
	HK Unemployment Rate SA (Sep)	4.10%
	US Initial Jobless Claims	--
	US Continuing Claims	--
	US Philadelphia Fed Business Outlook (Oct)	-9.9
	US Existing Home Sales MoM (Sep)	-0.40%
	US Leading Index (Sep)	-0.30%

Source: Bloomberg

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