

20 January 2022

## Global Markets Research

### Daily Market Highlights

# 20-Jan: NASDAQ slumped to correction

**US stocks fell alongside yields & dollar; oil prices surged**

**Biden's \$2 trillion spending plan to be broken up for easier passage**

**UK CPI inflation shot up to 5.4%, raising odds of a February rate hike**

- US stocks slumped further on Wednesday, extending the streak of declines that began since the start of the new year amid speculations that the Fed would deliver a more aggressive rate hike come 16 March. Notably, the tech-focus NASDAQ fell into a correction territory (10% lower from its record-high level) after having recorded a single-day decline of 1.2%. The Dow Jones and S&P 500 both plunged by nearly 1.0%.
- Treasury yields generally pulled back on Wednesday. The benchmark 10Y UST yield slipped just a little (-0.9bp) to 1.87%. Meanwhile, the yield on 2Y UST notes climbed further (+1.5bps) to 1.06%. Notably, the German 10Y bund yield touched 0% for the first time since May 2019 after trading in the negative territory for more than 2.5 years; it closed near -0.02%.
- The dollar weakened modestly against nearly all G10 currencies; the dollar index snapped a three-day winning streak to close 0.2% lower at 95.51. USD/MYR closed 0.3% higher at 4.1940 on Wednesday as the pair caught up with the stronger USD in the previous session. We are neutral on the pair today, expecting investors to be side-lined by today's BNM MPC meeting.
- Gold prices rose 1.7% to \$1843.20/oz on the back of USD weakness. Crude oil prices advanced more than 1%, reflecting concerns over the short-term supply following a Turkey-Iraq pipeline outage. Oil prices had been inching higher recently amid rising geopolitical tension and traders shrugged off Omicron-related economic impact. Brent crude settled at \$88.44/barrel while WTI closed at \$86.96/barrel.
- President Biden said in a White House press conference that his \$2trillion economic agenda concentrating on tax, climate change, infrastructure and social safety net would have to be broken up for possible passage in Congress. He acknowledged that Americans are frustrated with his Administration's handling of the pandemic.

#### US homebuilding data came in positive; mortgage applications rose in anticipation of higher future rates:

- Homebuilding data smashed expectations on Wednesday; Housing starts rose 1.4% m/m in December, versus the consensus estimate of -1.7% although November's reading was revised lower to reflect a smaller growth of 8.1%. Building permits outperformed with an impressive 9.1% m/m gain and an upwardly revised 3.9% growth in November; the latest reading far exceeded the consensus forecast of -0.8%. The surprise gain in new construction projects offered some comfort that the supply chain constraints and labour shortages may be easing towards the end of last year.

#### Key Market Metrics

	Level	d/d (%)
<b>Equities</b>		
Dow Jones	35,028.65	-0.96
S&P 500	4,532.76	-0.97
NASDAQ	14,340.25	-1.15
Stoxx 600	480.90	0.23
FTSE 100	7,589.66	0.35
Nikkei 225	27,467.23	-2.80
Hang Seng	24,127.85	0.06
Straits Times	3,283.94	0.12
KLCI 30	1,530.33	-0.82
<b>FX</b>		
Dollar Index	95.51	-0.23
EUR/USD	1.1343	0.16
GBP/USD	1.3612	0.12
USD/JPY	114.33	-0.24
AUD/USD	0.7211	0.36
USD/CNH	6.3511	-0.15
USD/MYR	4.1940	0.27
USD/SGD	1.3481	-0.18
<b>Commodities</b>		
WTI (\$/bbl)	86.96	1.79
Brent (\$/bbl)	88.44	1.06
Gold (\$/oz)	1,843.20	1.70

Source: Bloomberg, HLBB Global Markets Research

- In a separate note, mortgage applications picked up 2.3% w/w for the week ended 14 January (prior: +1.4%); last week's higher applications were driven by the home purchasing segment (+7.9%) as homebuyers rushed to get loans in anticipation of higher interest rates; refinancing applications kept falling (for three consecutive weeks now) amid higher borrowing costs.

#### **UK CPI inflation surged to 5.4%, bolstering confidence that the BOE would hike rate in February:**

- The UK consumer inflation soared further at the end of 2021 as the stronger consumer demand related to year-end festivities, coupled with the persistent supply chain challenge and higher global commodity prices continued to drive up prices.
- CPI rose 5.4% y/y in December, its steepest gain in 30 years; this represents an acceleration from the 5.1% rate in November and higher than the consensus estimates of 5.2%. Inflation was broad-based across most goods and services sectors as the further recovery of the labour market helped fuel spending. The core CPI rate also ticked up to 4.3% y/y, from 4.0% previously, confirming that underlying inflation is heating up. On a monthly basis, consumer prices rose 0.5% m/m, decelerating from the 0.7% rate prior. The latest set of readings bolsters the case of a February rate hike during which the BOE carries out its first MPC meeting of the year.

#### **Japan's trade deficit narrowed in December:**

- Japan's December trade report was pleasant overall as trade deficit narrowed to ¥435.3b (Nov; -¥473.9b). Export growth slowed to 17.5% y/y in December (Nov: +20.5%) but beat the forecast of 15.9%, reflecting the resilient global demand. Japanese firms had been catching up with productions as well after Covid restrictions were lifted in end September. Import rose 41.1% y/y, a softer reading compared to the previous month (Nov: +43.8%).

#### **Australia's consumer sentiment fell in January:**

- The Westpac-Melbourne Institute Consumer Sentiment Index fell by 2.0% to 102.2 in January, from 104.3 in December, reflecting the rapid spread of the Omicron variant. However, the decline was minor compared to the sharper drop in confidence level during the first month of the Delta outbreak in New South Wales as well as during the second wave in Victoria in 2020.

### **House View and Forecasts**

<b>FX</b>	<b>This Week</b>	<b>1Q-22</b>	<b>2Q-22</b>	<b>3Q-22</b>	<b>4Q-22</b>
DXY	94-96	96.15	96.40	96.30	96.30
EUR/USD	1.13-1.15	1.13	1.12	1.12	1.13
GBP/USD	1.36-1.38	1.34	1.33	1.35	1.36
AUD/USD	0.72-0.73	0.72	0.72	0.74	0.75
USD/JPY	114-115	115	116	115	114
USD/MYR	4.16-4.21	4.17	4.15	4.15	4.10
USD/SGD	1.34-1.35	1.35	1.34	1.34	1.33

  

<b>Policy Rate %</b>	<b>Current</b>	<b>1Q-22</b>	<b>2Q-22</b>	<b>3Q-22</b>	<b>4Q-22</b>
Fed	0-0.25%	0-0.25	0.25-0.50	0.50-0.75	0.75-1.00
ECB	-0.50	-0.50	-0.50	-0.50	-0.50
BOE	0.25	0.25	0.50	0.50	0.75
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
20/01	AU Employment Change (Dec)	366.1k
	AU Unemployment Rate (Dec)	4.6%
	CN 1-Year Loan Prime Rate (20 Jan)	3.8%
	MA BNM Overnight Policy Rate (20 Jan)	1.8%
	HK CPI Composite YoY (Dec)	1.8%
	EZ CPI YoY (Dec F)	4.9%
	US Initial Jobless Claims (15 Jan)	230k
	US Philadelphia Fed Business Outlook (Jan)	15.4
	US Existing Home Sales MoM (Dec)	1.9%
21/01	NZ BusinessNZ Manufacturing PMI (Dec)	50.6
	JP Natl CPI Ex Fresh Food YoY (Dec)	0.5%
	UK GfK Consumer Confidence (Jan)	-15.0
	MA CPI YoY (Dec)	3.3%
	UK Retail Sales Inc Auto Fuel MoM (Dec)	1.4%
	EZ Consumer Confidence (Jan A)	-8.3
	US Leading Index (Dec)	1.1%

Source: Bloomberg

### Hong Leong Bank Berhad

Fixed Income & Economic Research, Global  
Markets  
Level 8, Hong Leong Tower  
6, Jalan Damanlela  
Bukit Damansara  
50490 Kuala Lumpur  
Tel: 603-2081 1221  
Fax: 603-2081 8936

[HLMarkets@hbb.hongleong.com.my](mailto:HLMarkets@hbb.hongleong.com.my)

**DISCLAIMER**

This report is for information purposes only and does not take into account the investment objectives, financial situation or particular needs of any particular recipient. The information contained herein does not constitute the provision of investment advice and is not intended as an offer or solicitation with respect to the purchase or sale of any of the financial instruments mentioned in this report and will not form the basis or a part of any contract or commitment whatsoever.

The information contained in this publication is derived from data obtained from sources believed by Hong Leong Bank Berhad (“HLBB”) to be reliable and in good faith, but no warranties or guarantees, representations are made by HLBB with regard to the accuracy, completeness or suitability of the data. Any opinions expressed reflect the current judgment of the authors of the report and do not necessarily represent the opinion of HLBB or any of the companies within the Hong Leong Bank Group (“HLB Group”). The opinions reflected herein may change without notice and the opinions do not necessarily correspond to the opinions of HLBB. HLBB does not have an obligation to amend, modify or update this report or to otherwise notify a reader or recipient thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

HLB Group, their directors, employees and representatives do not have any responsibility or liability to any person or recipient (whether by reason of negligence, negligent misstatement or otherwise) arising from any statement, opinion or information, expressed or implied, arising out of, contained in or derived from or omission from the reports or matter.

Potential and actual conflict of interest may arise from the activities of HLB Group. HLB Group constitute a diversified financial services group. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, hedging transactions and other activities for their own account or the account of others. In the ordinary course of their business, HLB Group may effect transactions for their own account or for the account of their customers and hold long or short positions in the financial instruments. HLB Group, in connection with its business activities, may possess or acquire material information about the financial instruments. Such activities and information may involve or have an effect on the financial instruments. HLB Group have no obligation to disclose such information about the financial instruments or their activities.

The past performance of financial instruments is not indicative of future results. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Any projections or forecasts mentioned in this report may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information. No assurance can be given that any opinion described herein would yield favorable investment results. Recipients who are not market professional or institutional investor customer of HLBB should seek the advice of their independent financial advisor prior to taking any investment decision based on the recommendations in this report.

HLBB may provide hyperlinks to websites of entities mentioned in this report, however the inclusion of a link does not imply that HLBB endorses, recommends or approves any material on the linked page or accessible from it. Such linked websites are accessed entirely at your own risk. HLBB does not accept responsibility whatsoever for any such material, nor for consequences of its use.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. This report is for the use of the addressees only and may not be redistributed, reproduced or passed on to any other person or published, in part or in whole, for any purpose, without the prior, written consent of HLBB. The manner of distributing this report may be restricted by law or regulation in certain countries. Persons into whose possession this report may come are required to inform themselves about and to observe such restrictions. By accepting this report, a recipient hereof agrees to be bound by the foregoing limitations.