

20 April 2022

Global Markets Research

Daily Market Highlights

20-Apr: Dollar Index near 101 as JPY tanked

Treasury yields climbed on Tuesday; 10Y UST yield breached 2.90%

Greenback traded on a mixed note against G10 currencies; JPY & CHF biggest losers

Oil prices plunged over 5.0% after IMF trimmed 2022 growth forecast

- US stocks rose overnight, as investors digested a deluge of US corporate earnings amid optimism that profits may still hold up despite higher inflation and the impact of Russia-Ukraine war may yet to fully manifest. The Dow Jones and the S&P 500 rose 1.5% and 1.6% respectively while the tech-focus NASDAQ index picked up 2.2%. 10 out of 11 S&P 500 sectors ended on a positive note except the energy sector. Netflix reported a 200k q/q fall in subscribers in the first quarter this year, compared to its expectations of adding 2.5mil subscribers. The stock fell 25% in the after-hour trading.
- Stocks closed lower in Europe as fighting intensified between Russia and Ukraine at the eastern and northern part of the country. The pan-European STOXX Europe 600 dropped nearly 1.0%. Asian benchmarks recorded mixed performances earlier.
- Treasury yields climbed by 5-15bps as investors pared bond holdings on the back of high US inflation expectations and the soon-to-happen Federal Reserve rate hikes in the first week of May. Fed Bullard said that he did not rule out a 75bp hike (in one shot) but said that it is not his base case. The yield on the benchmark 10Y UST hit 2.94%, up by 8.3 bps from the previous session. Short-term yields rose the most, flattening the curve. The benchmark 2Y UST yield jumped 14.4 bps to 2.59%.
- The US dollar traded on a mixed note against the G10 currencies overnight. However, the dollar index edged up to 100.96 (+0.2%), marking its fourth consecutive gain and the highest level since late-March of 2020 during the onset of the global pandemic. This was driven by the further selloff in the JPY (-1.5%) and the CHF (-0.8%). USD/JPY looks to be testing critical level 130 after hitting 129 this morning.
- USD/MYR closed 0.5% higher at 4.2555 on Monday before the public holiday on Tuesday. The pair has now breached our weekly forecast range's upper limit and is aiming to hit 4.2600 next. However, the mixed greenback performances overnight and the overbought positions could also lead to some pull-back.
- Oil prices tanked more than 5.0% on Tuesday as the dimmer growth outlook threatens the demand for crude. Brent crude settled at \$107.25/barrel and WTI at \$102.56/barrel after the IMF said on Tuesday that the global economic recovery will slow significantly this year, attributed to the Russian invasion of Ukraine. It trimmed the 2022 global GDP growth to 3.6%, from January's forecast of 4.4%. Earlier this week, the World Bank has also downgraded 2022 world growth outlook to 3.2%, from 4.1% prior.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	34,911.20	1.45
S&P 500	4,462.21	1.61
NASDAQ	13,619.66	2.15
Stoxx 600	456.28	-0.77
FTSE 100	7,601.28	-0.20
Nikkei 225	26,985.09	0.69
Hang Seng	21,027.76	-2.28
Straits Times	3,307.13	0.12
KLCI 30*	1,581.14	-0.50
FX		
Dollar Index	100.96	0.18
EUR/USD	1.0788	0.06
GBP/USD	1.2998	-0.16
USD/JPY	128.91	1.51
AUD/USD	0.7374	0.34
USD/CNH	6.4192	0.65
USD/MYR*	4.2555	0.47
USD/SGD	1.3678	0.43
Commodities		
WTI (\$/bbl)	102.56	-5.22
Brent (\$/bbl)	107.25	-5.22
Gold (\$/oz)	1,955.70	-1.37

*Closing for 18 April 2022

Source: Bloomberg, HLBB Global Markets Research

US housing starts and building permits surprisingly rose in March:

- Home building activities in the US unexpectedly rose in March. Housing starts rose 0.3% m/m (Feb: +6.5%), defying the expectations of -1.6% m/m. This was driven by the further increase in multifamily units as the single family starts fell 1.7% m/m, its third decline within a four-month period. The higher mortgage rates was among the major factors dragging on new projects as demand for the housing may lose some lustre following the Fed's rate hikes. Building permits also picked up 0.4% m/m (Feb: -1.6%), versus the forecast of -2.4% m/m.

Japan's industrial production rebounded in February; exports picked up in March:

- Japan's industrial production growth for February was revised sharply higher to 2.0% m/m, from 0.1% m/m flash estimate. This followed the 2.4% m/m decline in output in January during the start of the Omicron outbreak. Compared to a year ago, industrial production was 0.5% y/y higher (Feb: +0.2%).
- Exports rose 1.7% m/m in March and translated to a y/y growth of 14.7% y/y (Feb: +19.1%). This underperformed the consensus forecast of 17.1% y/y and softer than the previous month as the low base effect dwindled. Imports rose 31.2% y/y (Feb: +34.1%), better than the +28.9% consensus estimate.

House View and Forecasts

FX	This Week	2Q-22	3Q-22	4Q-22	1Q-21
DXY	98-101.50	98.5	99	98	97.5
EUR/USD	1.07-1.09	1.1	1.09	1.1	1.12
GBP/USD	1.30-1.32	1.29	1.28	1.3	1.31
AUD/USD	0.73-0.75	0.76	0.77	0.76	0.76
USD/JPY	126-130	121	120	120	120
USD/MYR	4.22-4.27	4.2	4.18	4.16	4.16
USD/SGD	1.35-1.3650	1.36	1.35	1.34	1.33

Rates, %	Current	2Q-22	3Q-22	4Q-22	1Q-21
Fed	0.25-0.50	1.25-1.50	1.75-2.00	2.00-2.25	2.00-2.25
ECB	-0.50	-0.50	-0.50	-0.25	-0.25
BOE	0.75	1.25	1.25	1.25	1.25
RBA	0.10	0.10	0.75	1.00	1.25
BOJ	-0.10	-0.10	-0.10	-0.10	-0.10
BNM	1.75	1.75	2.00	2.00	2.25

Source: HLBB Global Markets Research

Up Next

Date	Events	Prior
20/04	AU Westpac Leading Index MoM (Mar)	-0.15%
	CN 1-Year Loan Prime Rate (20 Apr)	3.7%
	EZ Industrial Production SA MoM (Feb)	0.0%
	EZ Trade Balance SA (Feb)	-7.7b
	US MBA Mortgage Applications (15 Apr)	-1.3%
	US Existing Home Sales MoM (Mar)	-7.2%
21/04	US U.S. Federal Reserve Releases Beige Book ()	
	NZ CPI YoY (1Q)	5.9%
	JP Machine Tool Orders YoY (Mar F)	30.2%
	HK Unemployment Rate SA (Mar)	4.5%
	EZ CPI YoY (Mar F)	7.5%
	US Philadelphia Fed Business Outlook (Apr)	27.4
	US Initial Jobless Claims (16 Apr)	--
	US Leading Index (Mar)	0.3%
	EZ Consumer Confidence (Apr A)	-18.7

Source: Bloomberg

Hong Leong Bank Berhad

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

HLMarkets@hlbb.hongleong.com.my

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