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Global Markets Research

Daily Market Highlights

20-June: Dollar regained strength

S&P 500 posted largest weekly loss since March 2020; yields & dollar rose

Japanese Yen plunged after BOJ reaffirmed accommodative stance

Powell to testify before Congress this week

- US stocks closed on a mixed note last Friday as investors assessed rates and growth outlook following a slew of central bank rate hikes last week. The Dow Jones posted a minor loss of 0.1%, the S&P 500 eked out a small 0.2% gain while tech-heavy NASDAQ rallied over 1.4%. All three benchmarks closed out the volatile week with sharp losses; notably the S&P 500 fell 5.8% w/w, its largest weekly decline since March 2020 when the Covid-19 pandemic first shocked global markets. Both Dow and NASDAQ were down by 4.8% w/w for the week.
- Treasury yields rebounded by 3-9bps on Friday, led by the short-end of a bear-flattening curve. The yield on the benchmark 2Y UST notes rose 9bps to 3.18% while that of the 10Y UST picked up 3bps to 3.23%.
- In the FX market, the dollar staged a strong recovery after two weakening sessions where the dollar index was seen jumping 1.0% to 104.7 and ended the week with its third consecutive gain (+0.5% w/w). The USD strengthened against all G10 currencies, with the JPY suffering the heaviest losses of 2.1% and fell back to the 135 levels, after the BOJ reaffirmed accommodative policy stance and reinforced Fed-BOJ divergence.
- AUD slid 1.6% to 0.6932 as the value of the most-traded September iron ore futures contract on the Dalian Commodity Exchange (DCE) slipped for the seventh consecutive session on Friday (-5.7%) amid deteriorating demand prospects in China.
- MYR closed unchanged against the USD at 4.4030 on Friday as the local unit was supported by the post-FOMC dollar reversal in the Asian session ahead of the weekend. On a weekly basis, MYR was marginally changed (-0.03%). USD/MYR outlook is expected to maintain a neutral-to-bullish bias, keeping within the familiar ranges of 4.38-4.43 in the week ahead amid the expectations of a firmer USD outlook. Higher May CPI print out of Malaysia next week would likely reinforce expectations for an OPR hike in July.
- Elsewhere, gold prices closed 0.6% lower at \$1835.60/oz on Friday as USD rebounded. Oil tumbled as traders mulled the impact of higher rates on global outlook. Brent crude plummeted 5.6% to \$113.12/barrel while WTI collapsed 6.8% to below \$110 handle. Notably, WTI snapped a seven-week winning streak and posted a 9.2% w/w decline.
- In the week ahead, Fed Chair Jerome Powell's semi-annual testimony before the US Congress will garner the most attention. Key data include the preliminary PMI readings for the US, Eurozone, UK and Japan.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	29,888.78	-0.13
S&P 500	3,674.84	0.22
NASDAQ	10,798.35	1.43
Stoxx 600	403.25	0.09
FTSE 100	7,016.25	-0.41
Nikkei 225	25,963.00	-1.77
Hang Seng	21,075.00	1.10
Straits Times	3,098.09	0.02
KLCI 30	1,456.74	-1.09
FX		
Dollar Index	104.70	1.03
EUR/USD	1.0499	-0.47
GBP/USD	1.2241	-0.90
USD/JPY	135.02	2.13
AUD/USD	0.6932	-1.63
USD/CNH	6.7092	0.37
USD/MYR	4.4030	0.00
USD/SGD	1.3905	0.51
Commodities		
WTI (\$/bbl)	109.56	-6.83
Brent (\$/bbl)	113.12	-5.58
Gold (\$/oz)	1,835.60	-0.55

Source: Bloomberg, HLBB Global Markets Research

BOJ maintained accommodative policy, against the global tightening trend:

- The Bank of Japan maintained its accommodative monetary policy on Friday by keeping the policy balance rate at -0.1% and the 10Y JGB yield target at around 0% with an upper cap of 0.25%. The asset purchase program of ETFs, J-REITS, commercial papers and corporate bonds are unchanged. The move was in stark contrast with its major counterparts such as the Fed and BOE which have tightened policy to combat inflation.
- It maintained that there remain extremely high uncertainties for Japan's economy concerning the risks to the outlook. Notably, the BOJ mentioned development in the foreign exchange market as one of the risks to the Japanese economy, after the yen's sharp decline against the dollar for the past three months.
- It expects the CPI ex-fresh food to be around 2% for the time being but to decelerate thereafter due to waning impact of high energy prices. The April CPI ex-fresh food inflation had been at 2.1%, its highest rate since March 2015. The BOJ reaffirms its accommodative policy stance, concluding that it would not hesitate to take additional easing measures if necessary. The short- and long-term policy interest rates are also expected to remain at their present or lower level.

US industrial production growth slowed in May:

- Industrial production rose at a softer pace of 0.2% m/m in May, underperforming both the consensus forecast of 0.4% growth and the upwardly revised 1.4% growth in April. Notably, manufacturing production fell 0.1% m/m (Apr: +0.8%) after three months of strong performance but nonetheless spurred fresh concerns of manufacturing weakness. Utilities and mining both rose over 1% m/m.
- The Conference Board Leading Index edged lower by 0.4% m/m in May (Apr: -0.4%), marking its third successive fall, adding to evidence that the US economy is slowing down. The negative reading reflects weakness in ISM orders, building permits, consumer outlook and the plunge in stock prices.

Eurozone's inflation reached new record:

- The Eurozone's HICP inflation surged to a record high of 8.4% y/y in May, from 7.4% in April. The core inflation climbed to 3.8% y/y (Apr: +3.5%), highlighting the continuous build-up in underlying price pressure. Prices of all main categories picked up at a faster pace, driven by the 39.1% y/y increase in energy prices. Elevated inflation had led the ECB to abandon its rather cautious stance as it announced two weeks ago that it would soon hike key ECB interest rates by 25bps in July.

Singapore's NODX held up in May:

- Singapore's non-oil domestic exports rose 3.2% m/m in May (Apr: -3.3%), translating to a sharper 12.4% y/y increase (Apr: +6.4%). NODX remained resilient last month, supported by both electronics and non-electronics exports which rose over 12% y/y. Exports to China managed to post a meagre 0.2% y/y increase following the easing in Covid restrictions in Shanghai that month. Exports to the EU, US and Hong Kong were lower but all came in strong for other Asian counterparts such as Malaysia, Indonesia, Japan and Taiwan.

Malaysia saw sustained double-digit gains in exports and imports:

- Malaysia's export growth picked up again to increase at a faster pace of 30.5% y/y in May (Apr: +20.7% y/y), as expected, thanks to an acceleration in manufacturing and agriculture exports, further boosted by a low base effect last May. Imports also recorded an impressive gain of 37.3% y/y in May, picking up from the 22.0% y/y expansion seen in April. On a month-on-month basis, exports fell 5.6% whilst imports increased 3.6% m/m, substantially narrowing the trade

surplus to RM12.6bn, its lowest in ten months, which would exert a drag on net exports.

House View and Forecasts

FX	This Week	2Q-22	3Q-22	4Q-22	1Q-23
DXY	103-106	106.00	108.00	105.00	103.00
EUR/USD	1.03-1.06	1.02	1.00	1.01	1.03
GBP/USD	1.21-1.25	1.21	1.20	1.22	1.24
AUD/USD	0.69-0.71	0.69	0.68	0.69	0.70
USD/JPY	134-138	133.00	135.00	133.00	132.00
USD/MYR	4.38-4.43	4.38	4.40	4.38	4.35
USD/SGD	1.38-1.40	1.39	1.40	1.38	1.37

Rates, %	Current	2Q-22	3Q-22	4Q-22	1Q-23
Fed	1.50-1.75	1.50-1.75	2.50-2.75	3.00-3.25	3.00-3.25
ECB	-0.50	-0.50	0.00	0.50	0.50
BOE	1.25	1.25	2.00	2.00	2.00
RBA	0.85	0.85	1.60	1.60	1.60
BOJ	-0.10	-0.10	-0.10	-0.10	-0.10
BNM	2.00	2.00	2.50	2.50	2.75

Source: HLBB Global Markets Research

Up Next

Date	Events	Prior
20/06	NZ Performance Services Index (May)	51.4
	UK Rightmove House Prices YoY (Jun)	10.2%
	CN 1-Year Loan Prime Rate	3.7%
21/06	NZ Westpac Consumer Confidence (2Q)	92.1
	AU RBA Minutes of June Policy Meeting	
	HK CPI Composite YoY (May)	1.3%
	US Chicago Fed Nat Activity Index (May)	0.47
	US Existing Home Sales MoM (May)	-2.4%

Source: Bloomberg

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