20 July 2022

Global Markets Research
Daily Market Highlights

20-July: Risk appetites boosted US & European stocks

Treasuries and dollar extended losses; 10Y yield back above 3.00%
US homebuilding activity plunged further in June as housing activity slowed down
Broad-based inflation may prompt ECB to hike key rates by 50bps

- US stocks rallied on Tuesday on the back of a weaker dollar while investors anticipated more corporate earnings reports. The Dow Jones jumped 754pts or 2.4%; the S&P 500 surged 2.8%, notching its best single-day gain in over three weeks amid a broad-based sectoral rally. NASDAQ outperformed major benchmarks by posting a 3.1% increase.

- European shares closed higher as the positive momentum in the US helped boost a late afternoon rally in Europe. The STOXX Europe 600 rose 1.4%, led by auto and bank shares. Asian benchmarks registered mixed performances -Nikkei 225 closed 0.7% higher while Hang Seng fell 0.9%.

- Treasury yields rose 1-6bps as the rally in risk assets pressured demand for safe havens. The yield on the benchmark 2Y UST rose 6bps to 3.24% while the 10Y yield picked up 3bps to 3.02%. The key 2Y-10Y yield curve remained inverted for the 11th consecutive session.

- The dollar depreciated further against all G10 currencies except the JPY which was little changed. The Norwegian krone emerged as the top performer (+1.9%), followed by the Swedish krona (+1.7%) while AUD and NZD rallied more than 1.0%. EUR strengthened 0.8% to trade at 1.0227 against the USD while GBP rose modestly by 0.4%. The dollar index has now extended its losing streak to three sessions, ending 0.6% lower at 106.69.

- Korean Won (+0.3%) continued to lead the Asia-ex-Japan basket, followed by SGD (+0.3%). Most Asian currencies, recorded marginal gains versus the dollar again. MYR rebounded by 0.1% to close at 4.4490 on Tuesday, after having hit the 4.4500 stronghold in the previous session.

- Elsewhere, oil advanced further, building up on the prior 5.0% rally amid positive risk sentiment. Brent crude settled 1.0% higher at $107.35/barrel while WTI gained 1.6% to $104.22/barrel.

US homebuilding activity plunged further in June:

- US home building activity fell in June as reflected in the 2.0% m/m fall in housing starts to 1.56mil annualised rate, the lowest level since last September. The decline was unexpected, as consensus had been expecting new constructions of homes to rebound 2.0% in June after the 12.0% decrease in May.
- Building permits, a proxy for future construction, ticked lower by 0.6% m/m (May: -7.0%) but better than the forecast (-2.7%). The continuous decline in

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	31,827.05	2.43
S&P 500	3,936.69	2.76
NASDAQ	11,713.15	3.11
Stoxx Eur 600	423.41	1.38
FTSE 100	7,296.28	1.01
Nikkei 225	26,961.68	0.65
Hang Seng	20,661.06	-0.89
Straits Times	3,117.79	-0.13
KLCI 30	1,428.76	-0.05
FX		
Dollar Index	106.68	-0.64
EUR/USD	1.0227	0.83
GBP/USD	1.1995	0.35
USD/JPY	138.19	0.04
AUD/USD	0.6897	1.25
USD/CNH	6.7454	-0.22
USD/MYR	4.4490	-0.11
USD/SGD	1.3926	-0.26
Commodities		
WTI ($/bbl)	104.22	1.58
Brent ($/bbl)	107.35	1.02
Gold ($/oz)	1,710.70	0.03
Copper ($$/MT)	7,277.50	-2.01
Aluminum ($/MT)	2,389.00	-1.55
CPO (RM/tonne)	3,810.00	4.16

Source: Bloomberg, HLBB Global Markets Research both indicators emanated stronger signals that the US housing market is poised for a further slowdown in the remainder of the year as higher interest rates, elevated house prices and inflation in general made buying a home less affordable.

Eurozone's inflation at record high of 8.6%; ECB may mull 50bp rate hike:

- The Eurozone's final reading of the HICP inflation remained unchanged at 8.6% y/y in June, a record high. This followed the 8.1% inflation rate in May. The core reading eased to 3.7% y/y, from 3.8% in May thanks to lower services inflation (+3.4%). Energy prices were 42% higher compared to a year ago while prices of food, tobacco and alcohol also rose at a faster pace of 8.9% y/y.
- The overall reading confirmed that price pressure continued to build up in the euro area system ahead of Thursday's ECB Governing Council meeting. While the ECB has signalled that it would opt for a smaller 25bp rate hike this week, preferring to be cautious over its first hike in 11 years, reports are emerging that the central bank may ponder 50bp adjustment in its key rates instead in order to tackle inflation and also to catch up with the outsized hikes delivered by its global peers.

UK jobless rate unchanged at 3.8%:

- The UK unemployment rate remained unchanged at 3.8% for the three months to May. In the similar period, the number of employment rose by 296k (prior: +177k). Average weekly earnings rose at a softer pace of 6.2% y/y (prior: +6.8%).
- Separate reports showed that jobless claims fell by 20k in June (May: -34.7k) and payrolled employees sustained a 31k increase in June (May: +31k).

House View and Forecasts

FX	This Week	3Q-22	4Q-22	1Q-23	2Q-23
DXY	107-110	106.00	105.00	103.00	102.00
EUR/USD	0.99-1.03	1.02	1.03	1.05	1.04
GBP/USD	1.16-1.19	1.21	1.22	1.24	1.23
AUD/USD	0.66-0.69	0.67	0.69	0.70	0.70
USD/JPY	136-140	138.00	135.00	133.00	132.00
USD/MYR	4.42-4.45	4.42	4.40	4.38	4.35
USD/SGD	1.39-1.41	1.40	1.38	1.37	1.36

Rates, %	Current	3Q-22	4Q-22	1Q-23	2Q-23
Fed	1.50-1.75	2.50-2.75	3.00-3.25	3.00-3.25	3.00-3.25
ECB	-0.50	0.25	0.50	0.50	0.50
BOE	1.25	1.75	2.00	2.00	2.00
RBA	1.35	1.60	1.85	1.85	1.85
BOJ	-0.10	-0.10	-0.10	-0.10	-0.10
BNM	2.25	2.50	2.75	2.75	2.75

Source: HLBB Global Markets Research

Up Next

Date	Events	Prior
20/07	AU Westpac Leading Index MoM (Jun)	-0.06%
	CH 1-Year Loan Prime Rate (20 Jul)	3.7%
	MA Exports YoY (Jun)	30.5%
	UK CPI YoY (Jun)	9.1%
	US MBA Mortgage Applications (15 Jul)	-1.7%
	US Existing Home Sales MoM (Jun)	-3.4%
	EZ Consumer Confidence (Jul P)	-23.6
21/07	NZ Trade Balance 12 Mth YTD NZD (Jun)	-9521m
	NZ Exports NZD (Jun)	6.95b

JP Trade Balance (Jun)	-¥2384.7b
JP Exports YoY (Jun)	15.8%
JP Machine Tool Orders YoY (Jun F)	17.1%
HK CPI Composite YoY (Jun)	1.2%
EZ ECB Deposit Facility Rate (21 Jul)	-0.5%
US Philadelphia Fed Business Outlook (Jul)	-3.3
US Initial Jobless Claims (16 Jul)	244k
US Leading Index (Jun)	-0.4%
JP BOJ Policy Balance Rate (21 Jul)	-0.1%

Source: Bloomberg

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