

**Global Markets Research**
**Daily Market Highlights**

## 20 Sep: Fed rate hike fear continued to haunt

**US stocks went through a choppy day in search of fresh catalysts**

**UST curve flattened; yield curve inversion continued to deepen**

**DXY rangetraded at the 109 handles; MYR and CNY surged past key levels**

- US equities ended in positive territory for the first time in three days, as late hours rally in big cap stocks pushed stocks higher after a day of choppy and directionless trade. Markets were struggling for fresh catalysts as it anxiously awaits the Fed policy decision this Thursday. The Fed looks set to raise rates at least by another outsized 75bps, further heightening recession fear.
- The Dow rebounded to increase 0.6% d/d, led by consumer discretionary and financial shares. The broader S&P 500 advanced 0.7% while the tech-heavy NASDAQ gained 0.8%. Earlier, European and Asian stocks ended lower but futures are pointing to mixed opening in Asian markets this morning.
- The global sovereign bond markets came under broad selling pressure. The UST curve bear flattened as the front end continued to lead the rally amid Fed rate hike jitters, deepening the yield curve inversion. 10-year UST yields broke the 3.50% psychological level, its highest since 2011, before pulling back and closing just a tad below at 3.49% (+4bps), while the 2s remained near its highest since 2007, last closed at 3.94% (+7bps).
- The DXY continued to rangetrade, last settling flat at 109.59 (-0.05% d/d). The greenback weakened against a stronger AUD (+0.2%), CAD, GBP and EUR (+0.1%) but strengthened against the NZD (-0.5%), SEK (-0.3%), JPY (-0.2%) and NOK (-0.1%).
- Asian currencies weakened by and large in a risk averse market. Losses were most evident in KRW (-0.4%), followed by the MYR (-0.3%) and CNY (-0.3%). The MYR breached the 4.55 key level to close at 4.5505, a fresh high since 1998, while the CNY weakened past the psychological 7.00 level, last closed at 7.0048 on Monday.
- Oil prices were relatively flat in the absence of fresh catalysts. Brent crude eked out a 0.2% gain to \$91.73/ barrel while the WTI shed 0.1% d/d to \$85.33/ barrel.

**US NAHB housing market index softened for a 9<sup>th</sup> straight month:**

- September NAHB housing market index ticked lower to 46, down from August's 49, and slightly missing consensus estimate for a 47 print. This marked its 9<sup>th</sup> straight month of pullback, and to its lowest level since May-20, a sign of further deterioration in home builder sentiments amid elevated construction costs and a weakening housing market inflicted by higher

**Key Market Metrics**

|                    | Level     | d/d (%) |
|--------------------|-----------|---------|
| <b>Equities</b>    |           |         |
| Dow Jones          | 31,019.68 | 0.64    |
| S&P 500            | 3,899.89  | 0.69    |
| NASDAQ             | 11,535.02 | 0.76    |
| Stoxx Eur 600      | 407.87    | -0.09   |
| FTSE 100           | 7,236.68  | -0.62   |
| Nikkei 225         | 27,567.65 | -1.11   |
| Hang Seng          | 18,565.97 | -1.04   |
| Straits Times      | 3,256.31  | -0.37   |
| KLCI 30            | 1,451.52  | -1.08   |
| <b>FX</b>          |           |         |
| Dollar Index       | 109.59    | -0.05   |
| EUR/USD            | 1.0024    | 0.08    |
| GBP/USD            | 1.1431    | 0.10    |
| USD/JPY            | 143.21    | 0.20    |
| AUD/USD            | 0.6727    | 0.16    |
| USD/CNH            | 7.0048    | 0.07    |
| USD/MYR            | 4.5505    | 0.34    |
| USD/SGD            | 1.4076    | 0.04    |
| <b>Commodities</b> |           |         |
| WTI (\$/bbl)       | 85.33     | -0.08   |
| Brent (\$/bbl)     | 91.73     | 0.17    |
| Gold (\$/oz)       | 1,674.50  | 0.09    |
| Copper (\$\$/MT)   | 7,772.00  | -0.48   |
| Aluminum(\$/MT)    | 2,249.00  | -1.49   |
| CPO (RM/tonne)     | 3,694.00  | -1.92   |

Source: Bloomberg, HLBB Global Markets Research

mortgage rates. Survey showed present and future single family sales all declined, while prospective buyers traffic also slipped.

#### Eurozone construction output rebounded in July:

- Construction output rebounded to increase 0.3% m/m in July (Jun: -1.3% m/m), halting four straight months of decline. The turnaround is entirely driven by building construction while civil engineering construction continued to contract. On a year-on-year basis, output increased 1.5%, a pick-up from the 0.1% y/y gain in June, offering some reprieves to the construction sector.

#### Japan CPI accelerated more than expected to an 8-year high:

- National CPI ticked up more than expected to an 8-year high at 3.0% y/y in August (Jul: +2.6%; consensus +2.9%), driven by a 15.6% y/y jump in electricity prices. CPI was indeed the highest in more than three decades if we were to exclude the sales tax hike impact back in 2014. Meanwhile, CPI ex-fresh food and energy also quickened more than expected to 1.6% y/y (Jul: +1.2%). confirming stubbornly high inflation that showed no signs of abating.
- Today's higher than expected CPI print will unlikely change the BOJ's policy stance this Thursday. BOJ Governor has reiterated time and again that the central bank will maintain interest rates at rock-bottom levels until inflation becomes more entrenched, saying current price increases were driven by global commodity prices while wage growth remains subdued.

#### Hong Kong unemployment rate improved more than expected in August:

- Unemployment rate improved more than expected to 4.1% in August (Jul: 4.3%), its lowest since January. The number of employed increased by 16.2k while the number of unemployed fell 6.3K to 3609k and 162k respectively. This marked its fourth straight month of decline in unemployed persons, a sign of an improving labour market.

### House View and Forecasts

| FX      | This Week | 3Q-22  | 4Q-22  | 1Q-23  | 2Q-23  |
|---------|-----------|--------|--------|--------|--------|
| DXY     | 108-112   | 106.00 | 105.00 | 103.00 | 102.00 |
| EUR/USD | 0.99-1.01 | 1.02   | 1.03   | 1.05   | 1.04   |
| GBP/USD | 1.14-1.17 | 1.21   | 1.22   | 1.24   | 1.23   |
| USD/JPY | 140-145   | 138.00 | 135.00 | 133.00 | 132.00 |
| AUD/USD | 0.66-0.68 | 0.67   | 0.69   | 0.70   | 0.70   |
| USD/MYR | 4.50-4.55 | 4.42   | 4.40   | 4.38   | 4.35   |
| USD/SGD | 1.40-1.42 | 1.40   | 1.38   | 1.37   | 1.36   |

| Rates, % | Current   | 3Q-22     | 4Q-22     | 1Q-23     | 2Q-23     |
|----------|-----------|-----------|-----------|-----------|-----------|
| Fed      | 2.25-2.50 | 3.00-3.25 | 4.00-4.25 | 4.00-4.25 | 4.00-4.25 |
| ECB      | -0.50     | 0.75      | 1.75      | 2.25      | 2.75      |
| BOE      | 1.75      | 2.25      | 3.25      | 3.25      | 3.25      |
| BOJ      | -0.10     | -0.10     | -0.10     | -0.10     | -0.10     |
| RBA      | 1.85      | 2.35      | 3.10      | 3.10      | 3.10      |
| BNM      | 2.25      | 2.50      | 2.50      | 2.50      | 2.50      |

Source: HLBB Global Markets Research

### Up Next

| Date  | Events                                 | Prior |
|-------|--|-------|
| 20/09 | CH 1-Year Loan Prime Rate              | 3.65% |
|       | CH 5-Year Loan Prime Rate              | 4.3%  |
|       | AU RBA Minutes of Sept. Policy Meeting |       |

#### 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](mailto:HLMarkets@hlbb.hongleong.com.my)

|       |                                      |        |
|-------|--------------------------------------|--------|
|       | MA Exports YoY (Aug)                 | 38.0%  |
|       | US Building Permits MoM (Aug)        | -0.6%  |
|       | US Housing Starts MoM (Aug)          | -9.6%  |
| 21/09 | AU Westpac Leading Index MoM (Aug)   | -0.15% |
|       | US MBA Mortgage Applications (42614) | -1.20% |
|       | US Existing Home Sales (Aug)         | 4.81m  |
|       | US Existing Home Sales MoM (Aug)     | -5.90% |

Source: Bloomberg

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