20 December 2022

Global Markets Research

Daily Market Highlights

20 Dec: Markets remain focused on inflation and rates

US stocks saw extended selloffs contrary to gains in Europe; Asian equities in the red

Global sovereign bond yields jumped led by UK gilts amid BOE debt sale concerns

BOJ in focus today as policy pivot talks continue building up

- US stocks saw extended selloffs for a fourth straight day at the beginning of the second last trading week of the year, as investors remained uneasy over inflation outlook and major central banks' rate hike path. The three major US benchmark stock indices fell between 0.5-1.5% on the day, amid broad-based selling across all sectors led by declines in tech stocks. The Dow slipped 0.5%, S&P500 fell 0.9%, while the NASDAQ tumbled 1.5%.

- European stocks traded higher earlier in the day while Asian stocks were largely in the red except the Singapore STI (+0.5%). Futures are pointing to a lower opening in Asia market this morning. Focus will be on BOJ policy decision where talks are building up for a pivot away from its landmark ultraloose monetary policy.

- US treasuries came under broad selloffs with yields jumping 8-10bps across the curve. The benchmark 2Y note yields rose 8bps to 4.26% while the 10s added 10bps to 3.59%. The curve inversion narrowed to -67bps, from -84bps a week ago. Sovereign bond yields also rallied in Europe, evidently in the UK where the 10Y gilts saw a 17bps spike in yields to 3.49%, its highest in almost six weeks, as investors flocked to the exit on concerns over increased supply after BOE announced that it will kickstart short maturity note sales starting 9-January followed by long maturity sales.

- The Dollar Index weakened again after two days of advance, down 0.2% d/d to 104.67, still above the 104 handle nonetheless. Most G10s strengthened against the USD, with the exception of the JPY, NOK and NZD. Meanwhile, Asian currencies traded mixed against the greenback, with gains seen in THB, KRW, SGD and losses (-0.1% d/d) in CNH and MYR to 6.9861 and 4.4300 respectively.

- On the commodity front, oil rebounded with a 1.2% gain in Brent to $80.19/ barrel and 1.6% increase in WTI to $75.67/ barrel, on optimism China's pledge to revive consumption would spur demand for oil.

US NAHB housing market index staged a surprised pullback in December

- NAHB housing market index unexpectedly retreated to a reading of 31 in December (Nov: 33), against expectations for a climb to 34. This marked its 11th straight month of pullback and its lowest print since Apr-20 during the start of the pandemic outbreak. While present sales index fell, the future index improved and prospective buyers traffic stabilized, and the

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	32,757.54	-0.49
S&P 500	3,817.66	-0.90
NASDAQ	10,546.03	-1.49
Stoxx Eur 600	425.87	0.27
FTSE 100	7,361.31	0.40
Nikkei 225	27,237.64	-1.05
Hang Seng	19,352.81	-0.50
Straits Times	3,256.61	0.49
KLCI 30	1,477.09	-0.10
FX		
Dollar Index	104.67	-0.16
EUR/USD	1.0607	0.20
GBP/USD	1.2149	0.01
USD/JPY	136.91	0.23
AUD/USD	0.6700	0.22
USD/CNH	6.9861	0.12
USD/MYR	4.4300	0.12
USD/SGD	1.3549	-0.30
Commodities		
WTI ($/bbl)	75.67	1.57
Brent ($/bbl)	80.10	1.06
Gold ($/oz)	1,796.80	-0.34
Copper ($$/MT)	8,280.50	-0.27
Aluminum($/MT)	2,370.00	-0.38
CPO (RM/tonne)	3,924.00	0.42

Source: Bloomberg, HLBB Global Markets Research rate of decline in the overall index was the smallest in the last six months, offering a glimpse of hope of bottoming in home builder sentiments.

Eurozone construction output increased; labour costs grew at slower pace

- Construction output picked up to increase at a faster pace of 1.3% m/m in October (Sept: +0.5% upwardly revised) while the annual increase also accelerated to 2.2% y/y (Sept: +0.9% downwardly revised). This marked its best gain since January, driven by building construction (+1.3% vs +0.5%) while civil engineering works sustained a 1.0% gain.
- In a separate release, labour costs saw a smaller increase of 2.9% y/y in 3Q (2Q: +3.8% downwardly revised), offering some reprieves on wage inflation that would provide the ECB more flexibility in its policy decision.

Malaysia exports saw sustained growth in November

- Exports increased at a slightly faster pace of 15.6% y/y in November (Oct: +14.9% y/y revised). This was better than the consensus estimate for a 13.7% y/y growth but below ours +18.5%. Growth was underpinned by quicker growth in manufacturing exports (+15.0% vs +12.6% y/y), but was dampened by slower growth in mining (+62.6% vs +85.9% y/y) and bigger contraction in agriculture exports (-11.1% vs -7.0% y/y). Month-on-month, imports fell at a faster pace of 4.9% in November (Oct: +1.0%) vis-à-vis the decline in exports (-1.0% vs -8.8% m/m), hence widening the trade surplus to RM22.23bn (Oct: RM18.1bn revised).
- While exports gains have slowed substantially from the phenomenal growth earlier in the year through 3Q, spillover demand and catch-up in production from earlier supply chain constraints will still underpin continuous growth, albeit slower, in exports going forward. Exports growth is expected to soften significantly to 14.0% y/s in 4Q, from a high of 38.7% in 3Q, amid double-whammy of slower world demand and weaker commodity prices.

House View and Forecasts

FX	This Week	4Q-22	1Q-23	2Q-23	3Q-23
DXY	102-105	100.00	98.00	96.04	96.04
EUR/USD	1.05-1.08	1.08	1.10	1.11	1.11
GBP/USD	1.20-1.24	1.25	1.26	1.27	1.27
USD/JPY	135-138	133	130	128	128
AUD/USD	0.66-0.69	0.69	0.70	0.72	0.72
USD/MYR	4.38-4.44	4.36	4.31	4.28	4.28
USD/SGD	1.34-1.37	1.33	1.32	1.30	1.30

Rates, %	Current	4Q-22	1Q-23	2Q-23	3Q-23
Fed	4.25-4.50	4.25-4.50	4.75-5.00	4.75-5.00	4.75-5.00
ECB	2.50	2.50	3.00	3.00	3.00
BOE	3.50	3.50	4.00	4.00	4.00
BOJ	-0.10	-0.10	-0.10	-0.10	-0.10
RBA	3.10	3.10	3.35	3.35	3.35
BNM	2.75	2.75	3.00	3.00	3.00

Source: HLBB Global Markets Research

Up Next

Date	Events	Prior
20-Dec	NZ ANZ Business Confidence (Dec)	-57.1
	AU RBA Minutes of Dec. Policy Meeting	
	CH 1-Year Loan Prime Rate	3.65%

	CH 5-Year Loan Prime Rate	4.30%
	HK CPI Composite YoY (Nov)	1.80%
	US Building Permits MoM (Nov)	-2.40%
	US Housing Starts MoM (Nov)	-4.20%
	EC Consumer Confidence (Dec P)	-23.9
	JN BOJ Policy Balance Rate	-0.10%
21-Dec	NZ ANZ Consumer Confidence Index (Dec)	80.7
	NZ Exports NZD (Nov)	6.14b
	AU Westpac Leading Index MoM (Nov)	-0.05%
	US MBA Mortgage Applications (16-Dec)	3.2%
	US Existing Home Sales MoM (Nov)	-5.90%
	US Conf. Board Consumer Confidence (Dec)	100.2

Source: Bloomberg

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