

21 January 2022

Global Markets Research
Daily Market Highlights

21-Jan: Initial jobless claims rose in the US

US equities battered by Fed tightening sentiment; USD regained strength

BNM kept OPR unchanged and maintained a neutral policy tone

China cut loan prime rates, loosening policy to support growth

- US stocks extended decline to Thursday's session following a late afternoon selloff, highlighting the dominating concern of a more aggressive Fed tightening in March. NASDAQ slumped 1.3%, deeper into the correction territory. The Dow Jones lost 0.9% and S&P 500 fell 1.1% as nearly all sectors ended in red. Netflix's shares tumbled 1.5% after reporting a softer subscription growth.
- Investors exited risky assets and bought bonds, sending US treasury yields lower across the curve; the yield on the benchmark 10Y UST slipped 6.1bps to 1.80%. The dollar bounced back modestly overnight, strengthening against most of the G10 currencies, except the AUD, JPY and CAD. AUD picked up as Australia reported a set of strong job data which overshadowed the Chinese central bank's rate cuts. The dollar index registered a daily gain of 0.3% to 95.79.
- USD/MYR fell 0.1% to 4.1895 on Thursday. BNM kept its OPR unchanged at 1.75% as expected and maintained its neutral policy tone, in line with our expectation. Cautious market sentiment at the end of a trading week is expected to keep USD/MYR near its recent levels amid the absence of a major market driver. Malaysia's CPI data due today is not expected to drive the market.
- Gold prices stabilised at \$1842.6/oz (-0.03%). Crude oils consolidated the recent gains; Brent crude snapped a four-day winning streak, settling marginally lower (-0.07%) at \$88.38/barrel while WTI ticked down (-0.07%) to \$86.90/barrel.
- The PBOC trimmed its 1-year loan prime rate (LPR) by 10bps to 3.7% while the 5-year LPR was also slashed by 5bps to 4.6%. This followed the 10-bp cut in the MLF rate on Monday during which China reported a softer 4Q21 y/y GDP growth. The move was in line with the widely shared view that the authorities intended to use monetary policy to combat ebbing growth this year.
- Bank Indonesia kept its 7Y reverse repo rate steady at 3.50% to support economic growth but announced an increase in the reserve requirement from 3.5% to 5.0% in March.

US initial jobless claims rose to 286k; existing home sales dropped:

- Initial jobless claims unexpectedly rose by 55k to 286k for the week ended 15 January (prior: 231k); the reading missed the consensus estimate of 225k and marked its third back-to-back increase since late December. First-time claimants for unemployment benefits rose as the Omicron variant spread across the US, leading to higher layoffs in the past three weeks.
- Existing home sales in the US fell 4.6% m/m in December, worse than the expected decline of 0.6% and marking its first decline in four months. Sales were revised up

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	34,715.39	-0.89
S&P 500	4,482.73	-1.10
NASDAQ	14,154.02	-1.30
Stoxx 600	483.35	0.51
FTSE 100	7,585.01	-0.06
Nikkei 225	27,772.93	1.11
Hang Seng	24,952.35	3.42
Straits Times	3,294.82	0.33
KLCI 30	1,527.75	-0.17
FX		
Dollar Index	95.79	0.29
EUR/USD	1.1312	-0.27
GBP/USD	1.3600	-0.09
USD/JPY	114.11	-0.19
AUD/USD	0.7226	0.21
USD/CNH	6.3470	-0.06
USD/MYR	4.1895	-0.11
USD/SGD	1.3473	-0.06
Commodities		
WTI (\$/bbl)	86.90	-0.07
Brent (\$/bbl)	88.38	-0.07
Gold (\$/oz)	1,842.60	-0.03

Source: Bloomberg, HLBB Global Markets Research

in November to reflect a larger 2.2% m/m gain. The limited inventory, higher mortgage rates as well as the holidays season likely had caused the fall.

- The Philadelphia Fed's headline manufacturing index rose to 23.3 in January (Dec: 15.4), driven by higher new orders and shipment. The delivery time index dropped around 6pts, suggesting easing in supply chain pressure.

Eurozone CPI inflation at record high in December:

- The Eurozone's CPI December inflation was unrevised at the record high of 5.0% y/y in a final reading, following the 4.9% y/y increase in November. The core CPI rate steadied at 2.6% y/y (Nov: +2.6%), also a record high increase. Steeper gains in the prices of food, alcohol & tobacco as well as that of non-energy industrial goods drove inflation in December; energy inflation remained elevated at 25.9% y/y albeit softening from November (+27.5%). Services inflation also slipped to 2.4% y/y (Nov: +2.7%).

Japan's core inflation steadied in year-end:

- The CPI ex-fresh food inflation stabilised at 0.5% y/y in December (Nov: +0.5%), missing the forecast of 0.6%. Nonetheless, this confirmed that consumer prices are indeed climbing in Japan, in line with the BOJ's recent upward adjustment in its inflation outlook, suggesting that Japan may finally steer itself out of deflation. The Omicron wave that brought daily cases to as high as 46k poses a downside risk to this view as public cautiousness may cap spending and price increases.

Australia reported solid job numbers:

- The Australian economy added 64.8k jobs in December, slightly outperforming the consensus forecast of 60k. This followed the 366.1k job gains in November after the Covid restrictions were loosened in the country's major cities, allowing the labour market to recover further. Job growth came from both full time (+41.5k) and part time (+23.3k) segments. Notably, the unemployment rate fell sharply to 4.2%, from 4.6% prior, also better than forecast (4.5%). The participation rate was unchanged at 66.1%.

Hong Kong's CPI inflation advanced in December:

- Hong Kong's CPI inflation accelerated further to 2.4% y/y in December, from 1.8% in November; the reading missed the forecast of 2.5% but nonetheless marked its fourth month of back-to-back acceleration, in line with the worldwide trend of higher inflation. The underlying CPI which excludes the government's one-off relief measures also recorded a larger 1.4% y/y rate, compared to 1.2% prior.

No change in OPR and neutral policy tone:

- BNM kickstarted its first MPC meeting for 2022 and left OPR unchanged at the current record low level of 1.75% as expected today, marking its ninth consecutive meeting of pause. The overall policy tone remained neutral although we observed fewer mentions of downside risks in today's statement. BNM assessed that the global economy continues to recover, although reintroduction of containment measures in some countries have impacted the services industry. Continued progress in vaccination, vaccine efficacy, and the availability of antiviral treatments are expected to help improve "pandemic management", hence auguring well with global growth prospects. On the domestic front, economic activity rebounded in 4Q following the relaxation of containment measures and full year 2021 growth will fall within the 3.0-4.0% projected range. Growth is expected to accelerate in 2022. We expect BNM to begin normalizing policy by hiking 25bps in 2H2022, and as early as July, should the current recovery momentum continue.

New Zealand's manufacturing sector growth accelerated:

- The BusinessNZ Manufacturing PMI picked up to 53.7 in December, from 51.2 in November, driven by strong production and new orders indicators. BNZ said that

the PMI averaged 53.2 in the fourth quarter of 2021, indicating a return to positive manufacturing GDP growth following a sharp negative in the previous quarter.

House View and Forecasts

FX	This Week	1Q-22	2Q-22	3Q-22	4Q-22
DXY	94-96	96.15	96.40	96.30	96.30
EUR/USD	1.13-1.15	1.13	1.12	1.12	1.13
GBP/USD	1.36-1.38	1.34	1.33	1.35	1.36
AUD/USD	0.72-0.73	0.72	0.72	0.74	0.75
USD/JPY	114-115	115	116	115	114
USD/MYR	4.16-4.21	4.17	4.15	4.15	4.10
USD/SGD	1.34-1.35	1.35	1.34	1.34	1.33

Policy Rate %	Current	1Q-22	2Q-22	3Q-22	4Q-22
Fed	0-0.25%	0-0.25	0.25-0.50	0.50-0.75	0.75-1.00
ECB	-0.50	-0.50	-0.50	-0.50	-0.50
BOE	0.25	0.25	0.50	0.50	0.75
RBA	0.10	0.10	0.10	0.10	0.25
BOJ	-0.10	-0.10	-0.10	-0.10	-0.10
BNM	1.75	1.75	1.75	1.75	2.00

Source: HLBB Global Markets Research

Up Next

Date	Events	Prior
21/01	UK GfK Consumer Confidence (Jan)	-15.0
	MA CPI YoY (Dec)	3.3%
	UK Retail Sales Inc Auto Fuel MoM (Dec)	1.4%
	EZ Consumer Confidence (Jan A)	-8.3
	US Leading Index (Dec)	1.1%
24/01	JP Jibun Bank Japan PMI Services (Jan P)	52.1
	JP Jibun Bank Japan PMI Mfg (Jan P)	54.3
	SI CPI YoY (Dec)	3.8%
	MA Foreign Reserves (14 Jan)	\$116.9b
	EZ Markit Eurozone Manufacturing PMI (Jan P)	58
	EZ Markit Eurozone Services PMI (Jan P)	53.1
	UK Markit/CIPS UK Services PMI (Jan P)	53.6
	UK Markit UK PMI Manufacturing SA (Jan P)	57.9
	US Chicago Fed Nat Activity Index (Dec)	0.37
	US Markit US Manufacturing PMI (Jan P)	57.7
	US Markit US Services PMI (Jan P)	57.6

Source: Bloomberg

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