21 February 2022

Global Markets Research

Daily Market Highlights

21-Feb: Another flight to safety

US warned of impending Russian invasion of Ukraine

Equity selloff deepened as demand for safe assets shot up

US existing home sales rose ahead of Fed rate hikes

- Equity selloff deepened last Friday across global markets as investors fled risk assets and piled into safe havens amid rising geopolitical and Fed rate hike uncertainties. The US government warned of an impending Russian invasion of Ukraine; President Joe Biden said he was convinced based on US intelligence that Russian President Vladimir Putin had made up his mind to invade Ukraine, targeting the capital city of Kiev.

- The Dow Jones and S&P 500 closed 0.7% d/d lower on Friday while NASDAQ lost 1.2% d/d. All three benchmarks clocked in their weekly losses ranging from 1.6-1.9% w/w. The Stoxx Europe 600 slumped 0.8% d/d and was down by 1.9% w/w. The Nikkei 225 shed 0.4% d/d and 1.7% w/w; Hang Seng plummeted 1.9% d/d and 2.3% w/w for the week.

- The demand for treasuries surged overnight, depressing yields; Apart from geopolitical factors, several Fed officials namely John Williams and Lael Brainard also pushed back on the expectations of a larger-than-25bp rate hike next month when the FOMC meeting takes place. Yields ticked lower by 0.1 to 5.4bps, flattening the curves. The yield on the benchmark 10Y UST dropped 3.3bps to 1.93% on Friday and was 10bps lower compared to the previous week.

- The dollar strengthened against all G10 currencies except the NZD amid expectations that the RBNZ will raise the official cash rate this week. The dollar index picked up 0.3% on Friday and was little changed (-0.04%) on a weekly basis.

- USD/MYR closed on a flat note on Friday at 4.1860 on Friday and was 0.1% lower w/w after a week of muted trading. We are neutral to bullish on USD/MYR, taking into account the potential escalation of Russia-Ukraine confrontation this week that may weigh on emerging market currencies. We continue to eye a range of 4.17-4.20.

- Gold prices retreated from $1900 levels to $1898.6/oz (-0.1%) as the greenback strengthened. Oil benchmarks traded on a mixed note; WTI fell 0.8% to $91.07/barrel while Brent rose 0.6% to $93.54.

US existing home sales surged ahead of higher rates:

- Existing home sales in the US defied expectations to increase 6.7% m/m in January, versus the consensus forecast of a 1.3% decline. Sales surged to a seasonally adjusted annualised 6.5mil units, recovering the 3.8% m/m in December, reflecting buyers' rush to lock in low borrowing rates ahead of the expected increase in interest rates this year. Gain in home prices accelerated as well, as the median price of home sales rose to $350.3k, up 15.4% y/y compared to last year (Dec: +14.7%) but still below the all-time high of $362.9k in June last year.
- The Conference Board Leading Index fell 0.3% m/m in January after the 0.7% increase previously, reflecting the impact of Omicron waves, rising prices and supply

Key Market Metrics

Equities		
Dow Jones	34,079.18	-0.68
S&P 500	4,348.87	-0.72
NASDAQ	13,548.07	-1.23
Stoxx 600	460.81	-0.81
FTSE 100	7,513.62	-0.32
Nikkei 225	27,122.07	-0.41
Hang Seng	24,327.71	-1.88
Straits Times	3,428.90	-0.37
KLCI 30	1,603.05	-0.12
FX		
Dollar Index	96.04	0.25
EUR/USD	1.1322	-0.34
GBP/USD	1.3589	-0.20
USD/JPY	115.01	0.06
AUD/USD	0.7177	-0.14
USD/CNH	6.3248	-0.15
USD/MYR	4.1860	-0.05
USD/SGD	1.3460	0.21
Commodities		
WTI ($/bbl)	91.07	-0.75
Brent ($/bbl)	93.54	0.61
Gold ($/oz)	1,898.60	-0.11

Source: Bloomberg, HLBB Global Markets Research chain disruptions. The decline marked the first since February 2021, attributed to initial jobless claims, consumers' outlook and declines in stock prices, and the average work week in manufacturing.

Eurozone consumer sentiment weakened:

- Consumer confidence index by the European Commission turned more negative for the fifth consecutive month at -8.8 in February, down from 8.5 in January. The deterioration of consumer confidence in the Eurozone reflects the slump in current sentiment amid the ongoing Omicron wave.

UK retail sales rebounded more than expected:

- Retail sales volume in the UK rose 1.9% m/m in January, partially recovering the 4.0% decline in the previous month during the peak of the Omicron wave. Consensus had been forecasting a more modest 1.2% growth. The better-than-expected sales performance was driven by a sharp rebound in nearly all main categories including online sales. Sales at food stores declined for the third consecutive month while sales of clothing dropped further albeit at a smaller rate. The core retail sales, which stripped out auto fuel also increased more than expected by 1.7% m/m (Dec: -3.9%). The strong showing indicates an underlyingly solid consumer demand in the UK and added to confidence of a BOE rate hike next month.

Malaysia's export growth moderated:

- Exports growth moderated for the second straight month, at a bigger than expected pace to 23.5% y/y in January (Dec: +29.2%), likely dampened by the outbreak of Omicron wave across most parts of the world. Exports fell 10.6% m/m in January, wiping out all gains in December. On the other hand, imports picked up some steam to increase 26.4% y/y in January (Dec: +23.6%), driven by growth across imports of capital, consumption and intermediate goods. Imports however fell 0.6% m/m, extending the decline since December. As a result of the bigger monthly contraction in exports vis-à-vis imports, the trade surplus narrowed substantially to RM18.4bn during the month, from the record surplus of RM31.0bn in December.

House View and Forecasts

FX	This Week	1Q-22	2Q-22	3Q-22	4Q-22
DXY	95-97	96.15	96.40	96.30	96.30
EUR/USD	1.13-1.15	1.13	1.12	1.12	1.13
GBP/USD	1.35-1.37	1.34	1.33	1.35	1.36
AUD/USD	0.71-0.73	0.72	0.72	0.74	0.75
USD/JPY	114-116	115	116	115	114
USD/MYR	4.17-4.20	4.17	4.15	4.15	4.10
USD/SGD	1.34-1.35	1.35	1.34	1.34	1.33

Rates, %	Current	1Q-22	2Q-22	3Q-22	4Q-22
Fed	0.00-0.25	0.25-0.50	0.75-1.00	1.25-1.50	1.25-1.50
ECB	-0.50	-0.50	-0.50	-0.50	-0.50
BOE	0.50	0.75	1.00	1.00	1.00
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
21/02	JP Jibun Bank Japan PMI Services (Feb P)	47.6
	JP Jibun Bank Japan PMI Mfg (Feb P)	55.4
	CN 1-Year Loan Prime Rate (21 Feb)	3.7%
	JP Machine Tool Orders YoY (Jan F)	61.4%
	EZ Markit Eurozone Manufacturing PMI (Feb P)	58.7

	EZ Markit Eurozone Services PMI (Feb P)	51.1
	UK Markit/CIPS UK Services PMI (Feb P)	54.1
	UK Markit UK PMI Manufacturing SA (Feb P)	57.3
22/02	MA Foreign Reserves (15 Feb)	$116.1b
	HK CPI Composite YoY (Jan)	2.4%
	US FHFA House Price Index MoM (Dec)	1.1%
	US S&P CoreLogic CS US HPI YoY NSA (Dec)	18.81%
	US Markit US Manufacturing PMI (Feb P)	55.5
	US Markit US Services PMI (Feb P)	51.2
	US Conf. Board Consumer Confidence (Feb)	113.8
	US Richmond Fed Manufact. Index (Feb)	8.0

Source: Bloomberg

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