

21 March 2022

Global Markets Research

Daily Market Highlights

21-Mar: Higher equities, oil and USD

US stocks and oil surge on Friday amid mixed signals from Russia-Ukraine peace talks

US Treasuries curve flatten with some yield inversion seen in the front-part

Dollar index ended higher amid weaker EUR and JPY

- US stocks rallied again to clock-in one of its best weeks since last November as investors threw caution to the wind post interest rate hikes by both the Fed and BOE last week. The Dow Jones, S&P 500 and NASDAQ rose 0.8%-2.1%, to close out the week with gains. European stocks too erased earlier losses from the Ukraine war whilst extended gains were similarly seen across most of Asia, save for Hong Kong. The Hang Seng Index eased 0.4% following huge 7-9% rises the prior two days. Expect attention to shift to the repercussions (if any) from US President Biden's warning to China President Xi against providing aid to Russia.
- US Treasuries closed mixed with the 5-30Y sectors richer by up to 5bps following news on lack of progress on Russia-Ukraine talks; the front-ends however were pressured as Fed speaks revealed the potential for 50bps rate hikes going forward. The benchmark 10Y UST fell ~2bps to 2.15%.
- In the FX market, the USD ended mostly stronger against most G10 currencies save for the EUR and JPY. Both AUD/USD (+0.5%) and NZD/USD (+0.4%) were two such pairs that led gains amid steadier oil prices. The dollar index recovered by 0.3% to 98.23. Post-BOE rate hike, the cable saw lesser volatility compared to prior day despite hitting an intra-day high of 1.3197 before pulling back to close the session 0.2% higher at 1.3178.
- USD/MYR pulled back from the session's intra-day high of 4.2050 to close somewhat little changed d/d (i.e.-0.03%) at 4.1950 last Friday. The steady oil prices today may see lower levels for the pair against a muted greenback.
- Gold futures fell 0.7% to \$1929.30/oz, resuming its previous three-day losing streak from 14-16th March. Crude oil prices managed to stay in positive territory as investors were less convinced that peace talks between US and China would progress much whilst the IEA said that the market is seeing a crisis due to loss of Russian barrels. WTI rose 1.7% to \$104.70/barrel while Brent crude gained 1.2% to \$107.93/barrel.

Bank of Japan kept rates steady

- The Bank of Japan kept its policy steady at least until March given its "sedate" view of the economy whilst seeing a cost-push pickup in inflation that is expected to undermine growth. It believes that the current settings are sufficient to buffer potential stagflationary impact of the Russia-Ukraine war on its economy. Governor Kuroda said that the BOJ will not shift policy even if price gains reach 2.0% from April onwards. He also said that the rise in energy prices is a bigger factor than the movement in Yen with regards to driving the cost-push inflation that the nation was experiencing.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	34,754.93	0.80
S&P 500	4,463.12	1.17
NASDAQ	13,893.84	2.05
Stoxx 600	454.60	0.91
FTSE 100	7,404.73	0.26
Nikkei 225	26,827.43	0.65
Hang Seng	21,412.40	-0.41
Straits Times	3,330.63	0.24
KLCI 30	1,591.26	0.02
FX		
Dollar Index	98.23	0.26
EUR/USD	1.1051	-0.36
GBP/USD	1.3178	0.22
USD/JPY	119.17	0.48
AUD/USD	0.7415	0.53
USD/CNH	6.3670	0.06
USD/MYR	4.1950	-0.03
USD/SGD	1.3566	0.22
Commodities		
WTI (\$/bbl)	104.70	1.67
Brent (\$/bbl)	107.93	1.21
Gold (\$/oz)	1,929.30	-0.72

Source: Bloomberg, HLBB Global Markets Research

US home sales fell; leading index rebounded

- US existing home sales fell more than expected by 7.2% m/m in February (Jan: +6.6% m/m), to its lowest level in six months, as a limited supply of properties and high prices deterred potential buyers. The low home inventory constrained sales amid rising mortgage rates and sustained price increases. Builders are facing high material costs, in the face of Russia's invasion of Ukraine.
- The Conference Board leading index rebounded to increase 0.3% in February (Jan: -0.5% m/m), matching estimates; with the biggest positive contributor being interest rate spread whilst the biggest negative contributor was average customer expectations which declined to 0.14.

Eurozone's saw bigger trade deficit; smaller gain in labour costs:

- Eurozone trade balance saw deficit deteriorate further to a record €27.2b in February (Jan: -€4.6b) mainly due to high energy imports. After seasonal adjustments, the deficit of €7.7b euros is narrowly better than the 2008 low.
- The 4Q labour costs rose 1.9% y/y compared to the elevated 2.3% seen in 3Q. Countries which saw double-digit growth in labour costs include Bulgaria, Lithuania and Hungary among others.

New Zealand's exports rebounded m/m in February

- Exports rebounded and increased 14.5% m/m in February (Jan: -21.1%), driven by higher exports to China, Australia and EU. Meanwhile, imports extended its decline for a 2nd straight month, albeit smaller by 0.8% m/m (Jan: -16.2% m/m). This substantially narrowed the trade deficit to N\$0.385bn during the month (Jan: -N\$1.126bn). On a y/y basis, both exports and imports continued to grow at double-digit paces of 22.0% and 36.8% y/y, pointing to commendable pick-ups compared to previous corresponding period.

Further moderation in Malaysia's exports growth

- Export growth moderated for the third consecutive month, pulling back further to 16.8% y/y in February, from January's 23.5% y/y increase, signalling softer external outlook. Mirroring the decelerating momentum in exports, imports also registered a slower increase of 18.4% y/y in February (Jan: +26.4% y/y), drove down by weaker growth across all key import categories. Putting existing challenges aside, the most recent Ukrainian crisis has no doubt aggravated upside risks to inflation and downside risks to growth, not forgetting further disruption to the global supply chain following the numerous sanctions.

House View and Forecasts

FX	This Week	1Q-22	2Q-22	3Q-22	4Q-22
DX	97-99	96.15	96.40	96.30	96.30
EUR/USD	1.09-1.11	1.13	1.12	1.12	1.13
GBP/USD	1.30-1.33	1.34	1.33	1.35	1.36
AUD/USD	0.73-0.75	0.72	0.72	0.74	0.75
USD/JPY	116-119	115	116	115	114
USD/MYR	4.17-4.22	4.17	4.15	4.15	4.10
USD/SGD	1.35-1.37	1.35	1.34	1.34	1.33

Rates, %	Current	1Q-22	2Q-22	3Q-22	4Q-22
Fed	0.25-0.50	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	0.75	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
21/03	UK Rightmove House Prices YoY (Mar)	9.5%
	CN 1-Year Loan Prime Rate (21 Mar)	3.7%
	HK CPI Composite YoY (Feb)	1.2%
	US Chicago Fed Nat Activity Index (Feb)	0.69
22/03	Richmond Fed Manufact. Index	1.0

Source: Bloomberg

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