

21 April 2022

Global Markets Research

Daily Market Highlights

21-Apr: Yields and dollar pulled back

US stocks ended on mixed note while yields and greenback retreated

US existing home sales fell as median home prices shot to record \$375k

New Zealand's CPI rate at 30Y high, indicating more OCR hikes to come

- US stocks recorded mixed performances overnight as the Dow Jones rose 0.7% while tech-focus NASDAQ slumped 1.2%. The broader S&P 500 index was little changed (-0.06%) thanks to the selloff in media & entertainment shares led by Netflix (-35%) that offset gains in most other sectors, following the streaming giant's reporting of a 200k loss in subscribers in 1Q22. Tesla's shares rose over 4% in after-hour trading after it announced a record profit of \$3.3b as sales jumped to \$18.8b but said that its factory may continue operating under capacity due to supply chain bottlenecks. Elsewhere, European stocks closed higher while Asian benchmarks were mixed.
- US treasury yields pulled back overnight after recent jump. The yield on the benchmark 10Y UST fell 10.4bps to 2.83% amid a 2-13bps decline in overall yields. The yield curve flattened. Fed's Daly said that a series of rate hikes in the coming months could push the economy into a recession but this is not her expectations.
- The dollar reversed its strength amid profit taking, alongside the retreat in US yields. The dollar index fell 0.6% to 100.39, snapping a four-day winning streak as it weakened against all G10 currencies. JPY enjoyed some reprieves, picking up 0.8% but remained at multi-year low of just-below-128.
- Earlier on Wednesday, the ringgit was the top loser in the Asian currency basket. USD/MYR advanced 0.6% to 4.2820, its strongest level since July 2020 as the market reacted to the plunge in oil prices and the IMF's downgrade in global growth forecast following a local holiday. The risk of hitting 4.3000 remains after the pair briefly hit 4.2900 yesterday but some pullback may be possible in today's session in reaction to the weaker USD overnight.
- Oil prices stabilised following the steep decline in the prior session. Brent crude still ended lower at \$106.80/barrel following a small 0.4% loss while the US WTI rose 0.2% to \$102.75/barrel.
- The PBOC maintained the 1Y and 5Y Loan Prime Rates unchanged at 3.7% and 4.6% respectively, after deciding to keep the MLF rate steady last week. This was against expectations for a cut in the 1Y LPR to 3.65%.

Housing market shows sign of weakness as interest rates rise:

- The US existing home sales fell 2.7% m/m in March, following the downwardly revised 8.6% m/m drop in sales in February as the limited housing supply coupled with soaring house prices and mortgage rates turned away potential buyers. The median price of existing homes shot up by 15% y/y to a record high of \$375k, marking a 4.4% m/m increase.
- In a separate release, the MBA mortgage applications fell 5.0% w/w last week, extending from the previous 1.3% fall as interest rates climbed to a 12-year high. Refinancing applications fell 7.7% w/w while purchases applications slipped 3.0%

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	35,160.79	0.71
S&P 500	4,459.45	-0.06
NASDAQ	13,453.07	-1.22
Stoxx 600	460.10	0.84
FTSE 100	7,629.22	0.37
Nikkei 225	27,217.85	0.86
Hang Seng	20,944.67	-0.40
Straits Times	3,335.32	0.85
KLCI 30	1,593.75	0.80
FX		
Dollar Index	100.39	-0.57
EUR/USD	1.0853	0.60
GBP/USD	1.3068	0.54
USD/JPY	127.86	-0.81
AUD/USD	0.7450	1.03
USD/CNH	6.4449	0.40
USD/MYR	4.2825	0.63
USD/SGD	1.3631	-0.34
Commodities		
WTI (\$/bbl)	102.75	0.19
Brent (\$/bbl)	106.80	-0.42
Gold (\$/oz)	1,952.30	-0.17

Source: Bloomberg, HLBB Global Markets Research

w/w. Total applications have now dropped for the sixth consecutive week as the average contract rate of a 30-year fixed rate mortgage jumped 7bps to 5.2%, the highest level since April 2020. Compared to a year ago, it was at 3.2%.

Fed's Beige Book reported modest growth in economic activity:

- The Federal Reserve's third Beige Book of 2022 reported that US "economic activity expanded at a modest pace on average". It pointed out the existing challenge of hiring and the moderate pace in wage growth, adding that output prices increased moderately amid intense cost pressures. In terms of sectors, "manufacturers reported softer sales, while retailers saw slightly higher sales." Tourism activity suggests that demand would accelerate in the coming months.

Eurozone's industrial output rose, trade deficit widened in February:

- The Eurozone's industrial production rose 0.7% m/m in February, matching the consensus forecast. However, output was revised downwards to show a 0.7% m/m decline in January (versus 0.0% in the initial estimates). In February, production of intermediate goods, durable and non-durable goods went up while energy and capital goods output fell. On a y/y basis, output was 2.0% higher compared to the same month last year (Jan: -1.5%).
- Meanwhile, the trade deficit widened to €9.4b in February (Jan: -€7.7b), reflecting the 0.8% m/m rise in exports and the larger 1.5% m/m increase in imports. Both output and trade readings have yet to fully capture the impact of the Ukraine-Russia war.

New Zealand's inflation jumped on higher construction costs:

- New Zealand's headline CPI rose to a 30-year high of 6.9% y/y in the first quarter of 2022 (4Q21: +5.9%) but fell short of the expectations of 7.1% y/y increase. StatNZ said the sharp rise in inflation was driven by housing and household utilities group which were influenced by the rising prices for construction and rentals for housing. This was attributed to supply chain issues, higher labour costs and higher demand faced by construction companies.
- On a q/q basis, CPI rose 1.8% (4Q21: +1/4%), also missing the forecast of 2.0%. Higher prices of petrol drove the quarterly inflation. The average price of 91 Octane rose 8.7% q/q to \$2.67/ litre. The overall inflation report reaffirms the view that the RBNZ may continue to hike the OCR further, bringing the benchmark rates to be in line with its projection of 2.2% at the end of the year. It has recently surprised the market by delivering a larger-than-expected 50bp rate hike, pushing the OCR to a current level of 1.5%.

Australia's leading index pointed to growth:

- The Westpac-Melbourne Institute Leading Economic Index rose by 0.34 m/m in March (Feb: +0.4%), marking its second increase in a row. The six-month annualized growth rate picked up by 1.7% in March (Feb: +1.0%), the most since May 2021, indicating that the economy will expand comfortably above the long-term growth rate of 2.8% amid the current rebound from flood and Omicron setbacks.

House View and Forecasts

FX	This Week	2Q-22	3Q-22	4Q-22	1Q-21
DXY	98-101.50	98.5	99.0	98.0	97.5
EUR/USD	1.07-1.09	1.10	1.09	1.10	1.12
GBP/USD	1.30-1.32	1.29	1.28	1.30	1.31
AUD/USD	0.73-0.75	0.76	0.77	0.76	0.76
USD/JPY	126-130	121	120	120	120
USD/MYR	4.25-4.30	4.2	4.18	4.16	4.16
USD/SGD	1.35-1.3650	1.36	1.35	1.34	1.33

Rates (%)	Current	2Q-22	3Q-22	4Q-22	1Q-21
Fed	0.25-0.50	1.25-1.50	1.75-2.00	2.00-2.25	2.00-2.25

ECB	-0.50	-0.50	-0.50	-0.25	-0.25
BOE	0.75	1.25	1.25	1.25	1.25
RBA	0.10	0.10	0.75	1.00	1.25
BOJ	-0.10	-0.10	-0.10	-0.10	-0.10
BNM	1.75	1.75	2.00	2.00	2.25

Source: HLBB Global Markets Research

Up Next

Date	Events	Prior
21/04	HK Unemployment Rate SA (Mar)	4.5%
	EZ CPI YoY (Mar F)	7.5%
	US Philadelphia Fed Business Outlook (Apr)	27.4
	US Initial Jobless Claims (16 Apr)	--
	US Leading Index (Mar)	0.3%
	EZ Consumer Confidence (Apr A)	-18.7
22/04	UK GfK Consumer Confidence (Apr)	-31
	JP Natl CPI Ex Fresh Food YoY (Mar)	0.6%
	JP Jibun Bank Japan PMI Services (Apr P)	49.4
	JP Jibun Bank Japan PMI Mfg (Apr P)	54.1
	MA CPI YoY (Mar)	2.2%
	UK Retail Sales Inc Auto Fuel MoM (Mar)	-0.3%
	EZ S&P Global Eurozone Manufacturing PMI (Apr P)	56.5
	EZ S&P Global Eurozone Services PMI (Apr P)	55.6
	HK CPI Composite YoY (Mar)	1.6%
	UK S&P Global/CIPS UK Manufacturing PMI (Apr P)	55.2
	UK S&P Global/CIPS UK Services PMI (Apr P)	62.6
	US S&P Global US Manufacturing PMI (Apr P)	58.8
	US S&P Global US Services PMI (Apr P)	58.0

Source: Bloomberg

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

DISCLAIMER

This report is for information purposes only and does not take into account the investment objectives, financial situation or particular needs of any particular recipient. The information contained herein does not constitute the provision of investment advice and is not intended as an offer or solicitation with respect to the purchase or sale of any of the financial instruments mentioned in this report and will not form the basis or a part of any contract or commitment whatsoever.

The information contained in this publication is derived from data obtained from sources believed by Hong Leong Bank Berhad ("HLBB") to be reliable and in good faith, but no warranties or guarantees, representations are made by HLBB with regard to the accuracy, completeness or suitability of the data. Any opinions expressed reflect the current judgment of the authors of the report and do not necessarily represent the opinion of HLBB or any of the companies within the Hong Leong Bank Group ("HLB Group"). The opinions reflected herein may change without notice and the opinions do not necessarily correspond to the opinions of HLBB. HLBB does not have an obligation to amend, modify or update this report or to otherwise notify a reader or recipient thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

HLB Group, their directors, employees and representatives do not have any responsibility or liability to any person or recipient (whether by reason of negligence, negligent misstatement or otherwise) arising from any statement, opinion or information, expressed or implied, arising out of, contained in or derived from or omission from the reports or matter.

Potential and actual conflict of interest may arise from the activities of HLB Group. HLB Group constitute a diversified financial services group. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, hedging transactions and other activities for their own account or the account of others. In the ordinary course of their business, HLB Group may effect transactions for their own account or for the account of their customers and hold long or short positions in the financial instruments. HLB Group, in connection with its business activities, may possess or acquire material information about the financial instruments. Such activities and information may involve or have an effect on the financial instruments. HLB Group have no obligation to disclose such information about the financial instruments or their activities.

The past performance of financial instruments is not indicative of future results. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Any projections or forecasts mentioned in this report may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information. No assurance can be given that any opinion described herein would yield favorable investment results. Recipients who are not market professional or institutional investor customer of HLBB should seek the advice of their independent financial advisor prior to taking any investment decision based on the recommendations in this report.

HLBB may provide hyperlinks to websites of entities mentioned in this report, however the inclusion of a link does not imply that HLBB endorses, recommends or approves any material on the linked page or accessible from it. Such linked websites are accessed entirely at your own risk. HLBB does not accept responsibility whatsoever for any such material, nor for consequences of its use.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. This report is for the use of the addressees only and may not be redistributed, reproduced or passed on to any other person or published, in part or in whole, for any purpose, without the prior, written consent of HLBB. The manner of distributing this report may be restricted by law or regulation in certain countries. Persons into whose possession this report may come are required to inform themselves about and to observe such restrictions. By accepting this report, a recipient hereof agrees to be bound by the foregoing limitations.