21 June 2022

Global Markets Research

Daily Market Highlights

20-June: European stocks and yields moved higher

US markets closed for Juneteenth holiday; stock futures seen climbing

Dollar retreated against all G10 currencies except JPY ahead of Powell's testimony

CNY and CNH outperformed Asian peers alongside higher share prices

- European stocks broadly closed higher on Monday amid the lack of fresh drivers while the US markets were closed to observe the Juneteenth. The pan-European STOXX Europe 600 rallied nearly 1.0%, extending from last Friday's gain. German, French and UK benchmarks all ended on a positive note. Earlier, equity performance was mixed across the Asia Pacific region. The Nikkei 225 fell 0.7% while the Hang Seng index rose 0.4%. US stock futures pointed higher this morning.

- German bund yields moved higher by 7-10bps, led by the belly of the curve after the ECB chief Christine Lagarde said in a statement to European lawmakers that wage growth has started to pick up. The UK gilt yields surged by 10-14bps as traders raised bets on steeper BOE rate hikes by the end of this year.

- The US dollar weakened against all G10 currencies except the Japanese yen as haven demand slipped amid a US holiday and investors are anticipating Fed Chair Powell's testimony before US Congress. The Norwegian krone rose nearly 1.0% against the dollar, emerging as the top gainer on Monday. The dollar index was unchanged at 104.70 as the modest gains (+0.1%) in the euro and sterling were offset by the weaker yen.

- Meanwhile, both the on- and offshore yuan outperformed their Asian peers alongside higher Chinese stocks. The PBOC had maintained the 1Y and 5Y loan prime rates unchanged at 3.75% and 4.45% respectively despite the domestic economic challenge.

- MYR closed little changed (+0.07%) against the USD at 4.4000 amid a lack of drivers. On a weekly basis, the USD/MYR outlook is expected to maintain a neutral-to-bullish bias, keeping within the familiar ranges of 4.38-4.43 amid the expectations of a firmer USD outlook. Higher May CPI print out of Malaysia this week would likely reinforce expectations for an OPR hike in July.

- In the commodity market, spot gold was flat at $1838.74/oz. Brent crude rose 0.9% to $114.13/barrel, recovering from the heavy selloff last Friday that saw the international benchmark suffering a single-day loss of 5.6%. Futures markets were closed in the US. WTI was seen picking up 0.7% this morning to $110.27/barrel.

UK house prices rose at slower pace in June:

- The UK Rightmove House Prices rose a mere 0.3% m/m in June, versus 2.1% m/m in May. Although house prices reached a record high of £368,614, the much smaller gain implies that the housing market is in for a further cooling down for the remainder of the year as interest rates climbed and growth outlook turned

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones*	29,888.78	-0.13
S&P 500*	3,674.84	0.22
NASDAQ*	10,798.35	1.43
Stoxx Eur 600	407.14	0.96
FTSE 100	7,121.81	1.50
Nikkei 225	25,771.22	-0.74
Hang Seng	21,163.91	0.42
Straits Times	3,096.40	-0.05
KLCI 30	1,441.24	-1.06
FX		
Dollar Index	104.70	0.00
EUR/USD	1.0511	0.11
GBP/USD	1.2253	0.10
USD/JPY	135.07	0.04
AUD/USD	0.6951	0.27
USD/CNH	6.6893	-0.30
USD/MYR	4.4000	-0.07
USD/SGD	1.3888	-0.12
Commodities		
WTI ($/bbl)*	109.56	-6.83
Brent ($/bbl)	114.13	0.89
Gold ($/oz)*	1,835.60	-0.55

**Closing for 17 June 2022*

Source: Bloomberg, HLBB Global Markets Research gloomy. House prices were 9.7% y/y higher compared to the same month a year ago, easing from the 10.2% gain in the previous month.

New Zealand's services activity rose in May:

- The New Zealand Performance of Services Index rose to 55.2 in May, from 52.2 in April, marking its fastest pace of expansion in 11 months and also the third successive month above the neutral-50 threshold. The strong headline reading was driven by new orders and activity as BNZ said that supply issues remain.

House View and Forecasts

FX	This Week	2Q-22	3Q-22	4Q-22	1Q-23
DXY	103-106	106.00	108.00	105.00	103.00
EUR/USD	1.03-1.06	1.02	1.00	1.01	1.03
GBP/USD	1.21-1.25	1.21	1.20	1.22	1.24
AUD/USD	0.69-0.71	0.69	0.68	0.69	0.70
USD/JPY	133-136	133.00	135.00	133.00	132.00
USD/MYR	4.38-4.43	4.38	4.40	4.38	4.35
USD/SGD	1.38-1.40	1.39	1.40	1.38	1.37

Rates, %	Current	2Q-22	3Q-22	4Q-22	1Q-23
Fed	1.50-1.75	1.50-1.75	2.50-2.75	3.00-3.25	3.00-3.25
ECB	-0.50	-0.50	0.00	0.50	0.50
BOE	1.25	1.25	2.00	2.00	2.00
RBA	0.85	0.85	1.60	1.60	1.60
BOJ	-0.10	-0.10	-0.10	-0.10	-0.10
BNM	2.00	2.00	2.50	2.50	2.75

Source: HLBB Global Markets Research

Up Next

Date	Events	Prior
21/06	AU RBA Minutes of June Policy Meeting	
	HK CPI Composite YoY (May)	1.3%
	US Chicago Fed Nat Activity Index (May)	0.47
	US Existing Home Sales MoM (May)	-2.4%
22/06	NZ Exports NZD (May)	6.31b
	AU Westpac Leading Index MoM (May)	-0.15%
	UK CPI YoY (May)	9.0%
	JP Machine Tool Orders YoY (May F)	23.7%
	MA Foreign Reserves (42156)	$112.8b
	US MBA Mortgage Applications (42887)	6.6%
	EZ Consumer Confidence (Jun P)	-21.1

Source: Bloomberg

Hong Leong Bank Berhad
Fixed Income & Economic Research, Global Markets
Level 8, Hong Leong Tower
6, Jalan Damanlela
Bukit Damansara
50490 Kuala Lumpur
Tel: 603-2081 1221
Fax: 603-2081 8936
HLMarkets@hlbb.hongleong.com.my

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