

21 July 2022

Global Markets Research

Daily Market Highlights

21-July: US stocks pushed higher by tech shares

10Y UST yield remained above 3%; dollar gained ground

Italian political uncertainty pressured European equities and euro

UK CPI inflation hit fresh record high; US housing market slowed down

- US stocks advanced further on Wednesday, led by the rally in tech shares. Netflix's shares jumped 7.4% as the streaming giant reported lower-than-expected decline in subscribers and predicted that it would return to subscriber growth in the third quarter. The Dow Jones rose 0.2% and the S&P 500 advanced 0.6%; NASDAQ outperformed by picking up 1.6%.
- Stocks closed lower in Europe amid Italian political uncertainties and ahead of today's ECB rate hike. Three Italian parties boycotted the Senate confidence vote call by PM Mario Draghi and his coalition government is expected to collapse. STOXX Europe 600 fell 0.2%, snapping a three-day winning streak. Earlier, Asian equities climbed on improving risk appetites with the Nikkei 225 rallying by 2.7% and Hang Seng adding 1.1%.
- Treasuries traded mixed, leaving yields -2 to +2bps higher across the curve as investors continued to assess potential paths of interest rates. The yield on the benchmark 10Y UST rose 1bp to 3.03%. In Europe, investors fled to German bund for safety, pressuring the 10Y bund yield to 1.25% (-2bps). The Italian benchmark yield was seen jumping 6bps to 3.38%.
- The dollar rebounded against major currencies overnight, pushing the dollar index 0.4% higher at 107.08. The EUR dipped 0.5% to trade below 1.0200 against the USD amid Italian political turmoil. GBP/USD fell 0.2% to 1.1973 despite the record high UK CPI inflation. AUD fell 0.1% while NZD (+0.2%) was the sole winner in the G10 basket. JPY was little changed.
- In Asia-ex-Japan, CNH (-0.4%) and CNY (-0.2%) led the decline against the dollar, followed by THB (-0.1%). The selling of the yuan was spurred by the renewed Covid uncertainty in China following a flare-up of cases in the country. On the same day, China's PBOC maintained the 1Y loan prime rate unchanged at 3.7%, still refraining from loosening policy amid the ongoing globally synchronised policy tightening. Other currencies were flat, weakening less than 0.1% versus the dollar. MYR closed at 4.4515 (-0.06%) against USD.
- Oil ticked lower on Wednesday, ending a three-session rally. Brent crude fell 0.4% to \$106.92/barrel and WTI shed 1.9% to \$102.26/barrel as traders mulled the weekly EIA report that shows lower total crude stockpiles but a build-up in the largest storage hub at Cushing.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	31,874.84	0.15
S&P 500	3,959.90	0.59
NASDAQ	11,897.65	1.58
Stoxx Eur 600	422.51	-0.21
FTSE 100	7,264.31	-0.44
Nikkei 225	27,680.26	2.67
Hang Seng	20,890.22	1.11
Straits Times	3,170.29	1.68
KLCI 30	1,436.98	0.58
FX		
Dollar Index	107.08	0.37
EUR/USD	1.0180	-0.46
GBP/USD	1.1973	-0.18
USD/JPY	138.21	0.01
AUD/USD	0.6888	-0.13
USD/CNH	6.7741	0.43
USD/MYR	4.4515	0.06
USD/SGD	1.3936	0.07
Commodities		
WTI (\$/bbl)	102.26	-1.88
Brent (\$/bbl)	106.92	-0.40
Gold (\$/oz)	1,700.20	-0.61
Copper (\$\$/MT)	7,378.00	1.38
Aluminum (\$/MT)	2,430.00	1.72
CPO (RM/tonne)	3,956.00	3.63

Source: Bloomberg, HLBB Global Markets Research

US housing market seen cooling further:

- US existing home sales fell 5.4% m/m in June (May: -3.4%) to an annualised 5.12mil units, a two-year low. This compared to the consensus forecast of -

1.1% decline and marked its fifth consecutive fall since February this year. The median selling price jumped to a fresh record of \$416k.

- A separate report shows that MBA mortgage applications fell 6.3% w/w for the week ended 15 July (prior: -1.7%) to the lowest level since February 2000. The average 30Y fixed rate mortgage rate rose to 5.82% (prior: 5.74%). Both data confirmed the ongoing slowdown in the housing sector as higher interest rates and elevated home prices make buying a home so much less affordable compared to a year ago, turning away buyers.

Eurozone's consumer confidence fell to record low:

- The European Commission Consumer Confidence Index dipped to -27.0 in July (Jun: -23.8) according to a preliminary reading. The reading was the series' record low and reflects deteriorating consumer sentiment amid heightened concerns for a potential energy crisis and thus recession in the single-currency bloc.

UK strong CPI inflation supports case for 50bp rate hike:

- Headline inflation in the UK continued to trend higher, coming in at a fresh record high of 9.4% y/y in June. This was an acceleration from 9.1% y/y in May and slightly higher than the consensus forecast of 9.3% y/y. This was driven by higher costs of food & non-alcohol, housing utilities and other fuels, as well as services at restaurants and also recreation. Core CPI rate eased to 5.8% y/y (May: +5.9%) but remained elevated. The higher-than-expected headline CPI reading bolstered the case for a 50bp rate hike by the BOE in August, taking into account high energy prices and inflation expectations as well as tight labour market.

Japan's maintained trade deficit in June:

- Japan's exports rose 194% y/y in June, extending from the 15.8% increase prior. Imports were 46.1% higher compared to a year ago (May: +48.9%). The trade deficit narrowed to ¥1.38 trillion, from ¥2.39trillion prior as the sustained weakness in yen resulted in the 11th consecutive month of negative trade gap.

Malaysia posted best export and import growths in 13 months:

- Malaysia's export growth posted another month of encouraging pick-up, to 38.8% y/y in June (May: +30.5% y/y) while imports also jumped at a hefty pace of 49.3% y/y in June (May: +37.3% y/y), both at its fastest pace in 13 months and exceeded both ours as well as consensus estimate. The improvement was broad-based across all key products as well as geographical region. This indicated resiliency in the demand for Malaysian exports, both manufacturing and commodity, further augmented by elevated commodity prices and a weaker MYR. Trade surplus widened to RM21.9b, from RM12.7b previously.

Australia's leading index points to weaker growth; NZ recorded trade deficit:

- The Australia Westpac Leading Index fell 0.2% m/m in June (May: -0.1%) while the six-month annualised growth slowed further for the third consecutive month to 0.4% (May: +0.56%). This reflects weaker equity and commodity prices and lower monthly hours worked.
- New Zealand's trade balance swung to a deficit of NZD701m in June (May: NZD263m), reflecting the 6.6% m/m fall in exports and also 6.6% m/m increase in imports.

House View and Forecasts

FX	This Week	3Q-22	4Q-22	1Q-23	2Q-23
DX	107-110	106.00	105.00	103.00	102.00
EUR/USD	0.97-1.00	1.02	1.03	1.05	1.04

GBP/USD	1.16-1.19	1.21	1.22	1.24	1.23
AUD/USD	0.66-0.68	0.67	0.69	0.70	0.70
USD/JPY	136-140	138.00	135.00	133.00	132.00
USD/MYR	4.42-4.45	4.42	4.40	4.38	4.35
USD/SGD	1.39-1.41	1.40	1.38	1.37	1.36

Rates, %	Current	3Q-22	4Q-22	1Q-23	2Q-23
Fed	1.50-1.75	2.50-2.75	3.00-3.25	3.00-3.25	3.00-3.25
ECB	-0.50	0.25	0.50	0.50	0.50
BOE	1.25	1.75	2.00	2.00	2.00
RBA	1.35	1.60	1.85	1.85	1.85
BOJ	-0.10	-0.10	-0.10	-0.10	-0.10
BNM	2.25	2.50	2.75	2.75	2.75

Source: HLBB Global Markets Research

Up Next

Date	Events	Prior
21/07	JP Machine Tool Orders YoY (Jun F)	17.1%
	HK CPI Composite YoY (Jun)	1.2%
	EZ ECB Deposit Facility Rate (21 Jul)	-0.5%
	US Philadelphia Fed Business Outlook (Jul)	-3.3
	US Initial Jobless Claims (16 Jul)	244k
	US Leading Index (Jun)	-0.4%
	JP BOJ Policy Balance Rate (21 Jul)	-0.1%
22/07	UK GfK Consumer Confidence (Jul)	-41.0
	JP Natl CPI Ex Fresh Food YoY (Jun)	2.1%
	JP Jibun Bank Japan PMI Services (Jul P)	54
	JP Jibun Bank Japan PMI Mfg (Jul P)	52.7
	MA CPI YoY (Jun)	2.8%
	UK Retail Sales Inc Auto Fuel MoM (Jun)	-0.5%
	MA Foreign Reserves (15 Jul)	\$109.0b
	EZ S&P Global Eurozone Manufacturing PMI (Jul P)	52.1
	EZ S&P Global Eurozone Services PMI (Jul P)	53.0
	UK S&P Global/CIPS UK Manufacturing PMI (Jul P)	52.8
	UK S&P Global/CIPS UK Services PMI (Jul P)	54.3
	US S&P Global US Manufacturing PMI (Jul P)	52.7
	US S&P Global US Services PMI (Jul P)	52.7

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

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 favourable 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.