

Global Markets Research
Daily Market Highlights

21 Sep: All eyes on FOMC

US stocks and bonds under pressure; DXY recaptured 110

Riksbank surprised with a 100bps hike; spurring bets of a similar move from the Fed

PBoC maintained loan prime rate; cushioning the blow on CNY

- US equities came under renewed selling as markets anxiously await the Fed's policy decision and guidance. The three US benchmark stock indices fell 1.0-1.1% d/d. Losses were led by consumer discretionary and financials. Earlier, European stocks closed in the red but Asian stocks saw a relief rally following the rebound in US equities a day earlier. Futures are pointing to broadly lower opening in Asian markets this morning as investors are expected to stay cautious awaiting the FOMC announcement at 2am tomorrow Malaysian time.
- Global bond yields continued its march higher amid rate hike expectations by major central banks. The UST curve shifted higher by 3-7bps across the curve. Benchmark 2Y yields rose 3bps to 3.97% while the 10s added 7bps to 3.56%, staying firmly above the 3.50% psychological level. 10Y UK gilts jumped 15bps higher to 3.29% while that of German bunds rose 12bps to 1.92%.
- The DXY rallied back above 110 for the first time in five days, closing at 110.19 (+0.55%). The greenback advanced against all G10s save for the minute 0.04% losses against the CHF. The Norwegian Krone led the declines (-1.3%), followed by SEK (-1.1%), and commodity currencies. The SEK failed to stay afloat despite the hawkish hike by Riksbank, who raised rates more than expected by 100bps to 1.75% and signalled more hikes going forward. EUR fell 0.5% d/d to below parity again at 0.9971 while the sterling lost 0.4% to 1.1381. Aussie failed to defend its 0.67 key support, settling 0.6% lower at 0.6689.
- Asian currencies continued to trade in a bearish mood, except for KRW, INR and TWD which ended in slight positive territory. CNY weakened by 0.2% to close above the 7.00 levels for a 2nd straight day at 7.0183. The PBoC maintained its 1Y and 5Y loan prime rate unchanged at 3.65% and 4.30% respectively, believed to be a move to shield the CNY from further selling pressure in the wake of an imminent outsized Fed rate hike. The SGD lost 0.2% to 1.4100 while the MYR weakness stayed extended into a 6th straight trading day, hitting a fresh high since 1998, at 4.5590 (-0.3%).
- Oil prices saw renewed pressure amid concerns over slower demand stemming from the Fed aggressive hike, and potential increase in supply. According to news report, the Biden administration will release a further 10m barrels from its strategic reserves, while China is said to be pushing for more exports of refined products. Brent crude fell 0.8% to \$90.87/ barrel while the WTI declined 1.3% d/d to \$84.19/ barrel.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	30,706.23	-1.01
S&P 500	3,855.93	-1.13
NASDAQ	11,425.05	-0.95
Stoxx Eur 600	403.42	-1.09
FTSE 100	7,192.66	-0.61
Nikkei 225	27,688.42	0.44
Hang Seng	18,781.42	1.16
Straits Times	3,266.94	0.33
KLCI 30	1,461.10	0.66
FX		
Dollar Index	110.20	0.56
EUR/USD	0.9971	-0.53
GBP/USD	1.1381	-0.44
USD/JPY	143.75	0.38
AUD/USD	0.6689	-0.56
USD/CNH	7.0305	0.37
USD/MYR	4.5590	0.34
USD/SGD	1.4100	0.17
Commodities		
WTI (\$/bbl)	84.19	-1.34
Brent (\$/bbl)	90.87	-0.94
Gold (\$/oz)	1,663.10	-0.68
Copper (\$\$/MT)	7,724.00	-0.62
Aluminum(\$/MT)	2,255.00	0.27
CPO (RM/tonne)	3,743.50	1.34

Source: Bloomberg, HLBB Global Markets Research

US housing starts rebounded; building permits continued falling in August:

- August housing starts posted a stronger than expected rebound to increase 12.2% m/m (Jul: -10.9% revised), lifted by a 28.0% spike in multi-family starts while single family starts staged a more modest rebound of 3.4% m/m. Housing starts however remained 0.1% y/y lower compared to the same month a year ago, dampened by declines in single family starts (-14.6% y/y). Meanwhile, the decline in forward looking building permits deepened more than expected to 10.0% m/m (Jul: -0.6% revised), its biggest decline since Apr-20, reaffirming weakness in the US housing market.

Malaysia exports surprised with a 48.2% y/y increase:

- Export continued to increase at hefty double-digit pace for the 13th straight month, growing at its fastest pace in 16 months, by 48.2% y/y in August (Jul: +38.0%). Growth was broad-based across all the three main product categories, with quicker growth in manufacturing (+47.7% y/y) and agriculture (+42.6%), whilst the mining sector saw more moderate growth (+59.1%),
- Meanwhile, imports growth continued to outpace exports growth for the 8th straight month, jumping at a record pace of 67.6% y/y in August (Jul: +41.8%), spurred by quicker gains in all import categories. Despite the faster imports gain, trade surplus remains decent at RM16.9bn in August. We maintain our view that exports are expected to continue chart double-digit expansion in the next few months, supporting our case for further pick-up in growth in 3Q.

RBA minutes said rates are approaching more normal settings:

- Minutes of the RBA meeting on 6-September sounded less hawkish, suggesting the RBA may be laying the grounds for an eventual end to the current tightening cycle. The RBA Board said interest rates are getting closer to “normal settings”, even though it commented that policy is not on a pre-set path, and still expects further rate hikes ahead. This triggered split views on RBA’s next move, since the case of whether a 25bps or 50bps hike was put on the table at the previous meeting. The cash rate was raised by 50bps at the September meeting, “given the importance of returning inflation to target, in view of potential damage to the economy from persistent high inflation, and the still low cash rate level.

House View and Forecasts

FX	This Week	3Q-22	4Q-22	1Q-23	2Q-23
DXY	108-112	106.00	105.00	103.00	102.00
EUR/USD	0.99-1.01	1.02	1.03	1.05	1.04
GBP/USD	1.14-1.17	1.21	1.22	1.24	1.23
USD/JPY	140-145	138.00	135.00	133.00	132.00
AUD/USD	0.66-0.68	0.67	0.69	0.70	0.70
USD/MYR	4.50-4.55	4.42	4.40	4.38	4.35
USD/SGD	1.40-1.42	1.40	1.38	1.37	1.36

Rates, %	Current	3Q-22	4Q-22	1Q-23	2Q-23
Fed	2.25-2.50	3.00-3.25	4.00-4.25	4.00-4.25	4.00-4.25
ECB	-0.50	0.75	1.75	2.25	2.75
BOE	1.75	2.25	3.25	3.25	3.25
BOJ	-0.10	-0.10	-0.10	-0.10	-0.10
RBA	1.85	2.35	3.10	3.10	3.10
BNM	2.25	2.50	2.50	2.50	2.50

Source: HLBB Global Markets Research

Up Next

Date	Events	Prior
21/09	AU Westpac Leading Index MoM (Aug)	-0.15%
	US MBA Mortgage Applications (42614)	-1.20%
	US Existing Home Sales MoM (Aug)	-5.90%
22/09	US FOMC Rate Decision	2.25-2.50%
	NZ Westpac Consumer Confidence (3Q)	78.7
	NZ Trade Balance NZD (Aug)	-1092m
	JN Nationwide Dept Sales YoY (Aug)	9.60%
	HK CPI Composite YoY (Aug)	1.90%
	UK Bank of England Bank Rate	1.75%
	US Initial Jobless Claims (17 Sept)	213k
	US Leading Index (Aug)	-0.40%
	EC Consumer Confidence (Sep P)	-24.9
	US Kansas City Fed Manf. Activity (Sep)	3
	JN BOJ Policy Balance Rate (44805)	-0.10%

Source: Bloomberg

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