21 October 2022

Global Markets Research

Daily Market Highlights

21 Oct: Global equities traded mixed

Jump in Fed funds futures pushed UST yields higher across the curve

JPY broke the 150-threshold; heightening intervention risk

FTSE and GBP advanced on resignation news of Liz Truss

- Stocks fell in choppy trading as investors weighed several key earnings reports and kept an eye on the bond market, where UST yields continued to climb. The Dow Jones Industrial Average slipped 0.3% d/d, the S&P 500 fell 0.8% while Nasdaq shed 0.6%. Several strong earnings reports limited losses for the market, with AT&T and IBM rising 7.7% and 4.7%, respectively, after beating estimates for their most recent quarter. On the downside, Tesla shares dropped more than 6% after the electric vehicle maker said that it expects to miss its 2022 deliveries target.

- The Stoxx 600 index and FTSE 100 closed 0.3% d/d higher after Prime Minister Truss' stepdown after just 44 days in office, giving her the shortest tenure in British history. Stocks slumped in Asia with Nikkei 225 dropping 0.9% d/d, while Hang Seng fell 1.4% d/d.

- The jump in May Fed funds futures to 5.00% on Thursday rattled Treasuries, and sent yields higher across the curve. The benchmark 10-year Treasury yield rose 10bps d/d to close at 4.23%. Japan's 10-year yield pushed against the 0.25% limit of the central bank's target rate, triggering an unscheduled bond purchase to rein it in.

- The Dollar Index were relatively unchanged at 112.88 (-0.1% d/d). Euro and GBP strengthened slightly by 0.1% d/d after British Prime Minister's resignation announcement. Yen weakened 0.2% d/d and broke the 150-threshold to close at 150.15. In response to this, the country' top currency official Masato Kanda told reporters that excessive moves in currency markets are becoming even more intolerable and the resources for intervention are limitless. MYR weakened by a further 0.2% to 4.7277 against the USD, as political uncertainties continue to loom ahead of the polling, slated for 19-November.

- Gold prices continued to remain under pressure as global recession risk lingers. The bullion was up slightly by 0.2% d/d to $1,630.80/barrel. The West Texas Intermediate was up 0.5% d/d while the Brent slipped marginally after the drop in equity markets countered optimism that China may ease quarantine restrictions.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	30,333.59	-0.30
S&P 500	3,665.78	-0.80
NASDAQ	10,614.84	-0.61
Stoxx Eur 600	398.77	0.26
FTSE 100	6,943.91	0.27
Nikkei 225	27,006.96	-0.92
Hang Seng	16,280.22	-1.40
Straits Times	3,022.70	0.00
KLCI 30	1,437.72	1.60
FX		
Dollar Index	112.88	-0.09
EUR/USD	0.9786	0.13
GBP/USD	1.1235	0.14
USD/JPY	150.15	0.17
AUD/USD	0.6281	0.18
USD/CNH	7.2536	-0.20
USD/MYR	4.7277	0.15
USD/SGD	1.4240	-0.07
Commodities		
WTI ($/bbl)	85.98	0.50
Brent ($/bbl)	92.38	-0.03
Gold ($/oz)	1,630.80	0.20
Copper ($$/MT)	7,560.50	2.36
Aluminum($/MT)	2,209.50	1.80
CPO (RM/tonne)	3,996.50	3.18

Source: Bloomberg, HLBB Global Markets Research

US Philadelphia Manufacturing, Leading Index disappoint, new home sales and initial jobless claims better than expected

- Manufacturing activity in the Philadelphia region continued to decline in October. The diffusion index for current general activity, although edged up 1 point, remained negative at -8.7 (consensus estimate: -5.0). The survey's indicators for general activity and new orders remained negative, and the shipments index was little changed at a low but positive reading. The firms continued to report higher employment on balance, and both price indexes indicate overall increases in prices. The survey's future general activity indexes fell from -3.9 to -14.9, its fifth consecutive negative reading, suggesting that the surveyed firms expect declines overall over the next six months.
- In the week ending October 15, initial claims unexpected dipped to 214,000, a decrease of 12,000 from the previous week's revised level and below consensus estimate of 233,00. Continuing claims, however, increased 21,000 from the prior week to 1,385,000 for the week ending October 8.
- Existing-home sales sagged for the eighth consecutive month to a seasonally adjusted annual rate of 4.71m in September. Sales slipped 1.5% m/m and 23.8% y/y. The result, was however, better than consensus estimate's -2.1% d/d. The median existing-home sales price increased to $384,800, up 8.4% y/y while the inventory of unsold existing homes declined for the second straight month to 1.25m or the equivalent of 3.2 months' supply at the current monthly sales pace. Despite weaker sales, multiple offers are still occurring with more than a quarter of homes selling above list price due to limited inventory. The current lack of supply underscores the vast contrast with the previous major market downturn from 2008 to 2010, when inventory levels were four times higher.
- According to the Conference Board's Leading Economic Indicators index, economic condition in the US worsened in September, with the gauge down 0.4% m/m and (consensus estimate: -0.3% m/m) and off 2.8% for the six-month period. Weaknesses among the leading indicators were widespread. Moving forward, persistent downward trajectory in recent months suggests a recession is increasingly likely before year end and the Conference Board forecasts real GDP growth will be 1.5% y/y in 2022, before slowing further in the 1H of 2023.

Euro area current account deficit widened on soaring energy bill

- The bloc of 19 countries, which ran a current account surplus for years before Russia's war in Ukraine, recorded an adjusted deficit of €26.3bn in August after a €19.9 bn deficit a month earlier. The deficit in goods were the main contributor as Russia-Ukraine conflict pushed up its import bill for raw materials.

Australia Unemployment rate steady at 3.5%, business condition strong at +22 in 3Q

- Australia's unemployment rate remained at 3.5% in September, despite 9,000 more people becoming unemployed and after the creation of just 900 extra jobs in September. The Australian Bureau of Statistics (ABS) said that there was a large drop from the winter peak of workers being absent with illness. Moving forward, head of labour statistics Bjorn Jarvis noted that while employment growth has slowed in recent months, there are still close to half a million people entering employment each month, and around the same number leaving employment each month.

- Business conditions were broadly steady in Q3, with the NAB Business Conditions strong at +22 in 3Q and back to above average. Trading conditions and employment edged higher while profitability edged lower but all remain at high levels. By industry, conditions eased in manufacturing and retail but edged higher elsewhere, with conditions at fairly high levels across industries and states. More importantly, expected business conditions in 3 months sit at +29 and longer-run expectations at +27. Forward orders softened but remain robust at +14, while capacity utilisation reached a survey-record 86.3%.

Hong Kong unemployment fell to 3.9%

- Hong Kong's unemployment rate eased to 3.9% in 3Q, improving for the fifth consecutive period as economic activities revive in an easing COVID situation with support from a consumption voucher scheme. In the June-August period, the unemployment rate stood at 4.1%. The government also commented that the labour market outlook will depend on the extent of further revival of domestic economic activities.

PBOC maintained lending rates

- The People's Bank of China put monetary policy on hold amidst a weakening yuan in its latest monetary policy meeting. The 1-year loan prime rate was left and 3.65%, while the 5-year rate was maintained at 4.3%. Both were within expectation.

BOJ announced unscheduled bond buying

- Japan's benchmark yield on the 10-year note rose briefly above 0.25% to 0.255% as the Bank of Japan (BOJ) held its first unscheduled bond buying operations this year. The BOJ plans to buy 250bn yen of bonds ranging from 5 year to longer dated bonds. It separately offered to purchase an unlimited quantity of 10-year notes at a yield of 0.25%.
- Japan's trade balance extended its longest streak of red since 2015, as weaker yen pushed up import bills. Trade deficit topped 2 trillion yen for a 2nd month, albeit narrower at 2.1 trillion yen. Imports surged 45.9%, higher than consensus estimate, outpacing growth in exports at +28.9% y/y, also higher than expectation. Gains in exports were led by shipments for automobile and chip parts.

Vietnam expects GDP growth of 6.5% in 2023

- Vietnam prime minister sees 2023 GDP growth at +6.5% y/y. This is compared to +8.0% in 2022 (consensus estimate: 7.3%). In its annual address, he also added that the government will manage policies that can help economic growth but will also be mindful about the risk of fuelling inflation. He also added that the government will aim to maintain sufficient money supply for businesses while strictly controlling loans to potentially risk ahead. The government sees 2023 inflation accelerating to 4.5% in 2023 as compared to 4.0% this year.

House View and Forecasts

FX	This Week	4Q-22	1Q-23	2Q-23	3Q-23
DXY	111-115	115.00	112.70	110.45	110.00
EUR/USD	0.95-1.00	0.95	0.97	0.98	0.98
GBP/USD	1.10-1.15	1.10	1.10	1.11	1.12
USD/JPY	146-150	147.00	146.00	145.00	144.00
AUD/USD	0.60-0.64	0.62	0.63	0.64	0.64
USD/MYR	4.65-4.72	4.68	4.64	4.62	4.60
USD/SGD	1.42-1.44	1.45	1.44	1.42	1.40

Rates, %	Current	4Q-22	1Q-23	2Q-23	3Q-23
Fed	3.00-3.25	4.25-4.50	4.25-4.50	4.25-4.50	4.25-4.50
ECB	1.25	2.75	2.75	2.75	2.75
BOE	2.25	3.25	3.25	3.25	3.25
BOJ	-0.10	-0.10	-0.10	-0.10	-0.10
RBA	2.60	3.10	3.10	3.10	3.10
BNM	2.50	2.75	3.00	3.00	3.00

Source: HLBB Global Markets Research

Up Next

Date	Events	Prior
21/10	NZ Trade Balance NZD (Sep)	-2447m
	NZ Exports NZD (Sep)	5.48b
	NZ Imports NZD (Sep)	7.93b
	UK GfK Consumer Confidence (Oct)	-49
	JN Natl CPI YoY (Sep)	3.00%
	MA CPI YoY (Sep)	4.70%
	UK Retail Sales Inc Auto Fuel MoM (Sep)	-1.60%
	MA Foreign Reserves	$106.1b
	HK CPI Composite YoY (Sep)	1.90%
	EC Consumer Confidence (Oct P)	-28.8
24/10	AU S&P Global Australia PMI Composite (Oct P)	50.9
	JN Jibun Bank Japan PMI Composite (Oct P)	51
	EC S&P Global Eurozone Composite PMI (Oct P)	48.1
	UK S&P Global/CIPS UK Composite PMI (Oct P)	49.1
	US Chicago Fed Nat Activity Index (Sep)	0
	US S&P Global US Composite PMI (Oct P)	49.5

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.