22 April 2022

Global Markets Research

Daily Market Highlights

22-Apr: Powell firming up 50bp hike next month

US stocks and bonds sold off in reaction to Powell's remarks

Dollar regained strength against all major currencies

US initial jobless claims fell to 184k last week, a solid reading

- US stocks fell alongside treasuries overnight as the market reacted to the prospects of tighter monetary policy. The Dow Jones slipped 1.1%, the S&P 500 dropped 1.5% while NASDAQ was down by 2.1%. Stocks generally rose in Europe and saw another session of mixed performances in Asia.

- Fed Chair Powell spoke at an IMF panel discussion with the ECB chief Christine Lagarde and his remarks confirmed a 50bp hike in the fed funds rate next month (04 May) and signalled a similar hike in the following meeting (15 June). He said that "it is appropriate to be moving a little more quickly" and mentioned "the idea of front-end loading", adding that "Fifty basis points will be on the table for the May meeting".

- Treasury yields jumped 6-11bps after the brief pull-back in the previous session, with the steepest increase noted in the front-to-medium part of the curve. The yield on the benchmark 10Y UST rose 7.7bps to 2.91%.

- The dollar regained strength against all its G10 and most Asian counterparts. The dollar index rebounded 0.2% to 100.58. The NZD and AUD topped the loser chart as both currencies plunged 1.0%. The Aussie dollar tracked the kiwi's losses as New Zealand's 1Q22 CPI missed forecasts, taking pressure off the RBNZ to hike OCR at a faster pace.

- On Thursday, USD/MYR closed 0.2% higher at 4.2890 as the ringgit weakened alongside most Asian currencies. The pair is expected to aim for 4.2950 next before targeting 4.3000 ahead of the weekend amid bullish USD sentiment.

- Oil prices recovered modestly from the recent selloff. Brent crude rose 1.4% to $108.33/barrel and WTI picked up 1.0% to $103.79/barrel.

Solid initial jobless claims, leading index data signal further US growth:

- Initial jobless claims fell by 2k to 184k for the week ended 16 April (prior: 186k), proving that hiring activity remained robust amid the current economic expansion.
- The US Conference Board's leading index rose 0.3% m/m in March (Feb: +0.6%) despite the war in Ukraine. It said that the broad-based improvement signals that economic growth is likely to extend through 2022 despite volatile stock prices and weakening business and consumer expectations.
- The Philadelphia Fed's headline manufacturing index fell nearly 10pts to 17.6 in April (Mar: 27.4), reflecting weaker new orders and shipments as well as the impact of persistent price pressures.

Eurozone's inflationary pressure rose in March:

- The Eurozone's HICP inflation rose 2.4% m/m in March (Feb: +0.9%), translating to 7.4% y/y rate (Feb: +5.9%). The record high annual inflation rate reflects the further

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	34,792.76	-1.05
S&P 500	4,393.66	-1.48
NASDAQ	13,174.65	-2.07
Stoxx 600	461.57	0.32
FTSE 100	7,627.95	-0.02
Nikkei 225	27,553.06	1.23
Hang Seng	20,682.22	-1.25
Straits Times	3,348.46	0.39
KLCI 30	1,598.32	0.29
FX		
Dollar Index	100.58	0.19
EUR/USD	1.0834	-0.18
GBP/USD	1.3030	-0.29
USD/JPY	128.38	0.41
AUD/USD	0.7374	-1.02
USD/CNH	6.4808	0.56
USD/MYR	4.2890	0.16
USD/SGD	1.3637	0.04
Commodities		
WTI ($/bbl)	103.79	1.01
Brent ($/bbl)	108.33	1.43
Gold ($/oz)	1,944.90	-0.38

Source: Bloomberg, HLBB Global Markets Research increase in energy (+44.4% y/y) as well as the extended rise in food, alcohol & tobacco (+5.0% y/y) and non-energy industrial goods (+3.4% y/y) and services (+2.7% y/y). The core CPI rate also accelerated to 2.9% y/y (Feb: +2.7%), underscoring the persistent inflationary pressure in March (Feb: +2.7%).

UK consumer confidence plunged in April:

- The GfK Consumer Confidence Index turned more negative, at the near record low of -38 in April (Mar: -31). The slump in confidence was broad-based across all the survey's five measures, as UK consumers turned more cautious over personal finance, economic outlook and spending. The Major Purchase index fell to -32 (-8pts), not a positive sign for consumer spending.

Japan's core inflation rate accelerated in March:

- Japan's CPI-ex fresh food inflation, the BOJ's core CPI gauge, rose to 0.8% y/y in March, matching the consensus estimates. This was the steepest rate recorded in more than two years and followed the 0.6% y/y increase in February. Surging energy costs drove the continuous climb in inflation although it is still far off from the BOJ's 2% target. The BOJ meeting is happening next week and it is expected to reaffirm its accommodative policy.

HK unemployment rate rose further:

- Hong Kong's unemployment rate for the three months ended March rose to 5.0%, from 4.5% in the Dec-February period, marking its second consecutive increase which reflects the impact of the Omicron outbreak on the city-state's labour market.

House View and Forecasts

FX	This Week	2Q-22	3Q-22	4Q-22	1Q-23
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	1.3	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	4.20	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-23
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
22/04	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
25/04	SG CPI YoY (Mar)	4.3%
	MA Foreign Reserves (15 Apr)	$115.6b

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US Chicago Fed Nat Activity Index (Mar)	0.51
US Dallas Fed Manf. Activity (Apr)	8.7

Source: Bloomberg