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Global Markets Research

Daily Market Highlights

22-June: Risk assets rallied after last week's selling

US stock benchmarks rose over 2.0% after Juneteenth holiday

Global yields rose while broad dollar retreated

US existing home sales fell for fourth month in a row

- Risk appetites sent global stocks higher on Tuesday. US equities rallied after the Juneteenth holiday, rebounding from last week's post-FOMC selloff. The Dow Jones rose 2.2% while the S&P 500 and NASDAQ both gained 2.5%, driven by a broad-based rise in all sectors. European stocks extended climb from the previous session while key Asian benchmarks ended higher except Chinese shares.
- Global yields rose as the narrative of global monetary tightening continues to dominate the market. US treasury yields moved up by 2-6bps the curve bear-steepened. The yield on the benchmark 2Y UST notes picked up 2bps to 3.2% while that of the benchmark 10Y UST climbed 5bps to 3.28%.
- The US dollar pulled back further from most G10 currencies, with the Norwegian krone (0.7%) remaining the top gainer for the second consecutive session. The Japanese yen was the worst performing currency in the G10 basket as it plunged over 1.0% to a 24-year low of 136.57. The euro and sterling rose modestly (+0.2%) against the greenback. The dollar index fell 0.3% to 104.44.
- The ringgit traded marginally higher against the dollar on Tuesday, closing at 4.3965 (+0.08%). The extended retreat in broad dollar should continue to support the local unit today, targeting the edge of 4.3900. Higher Malaysia CPI print due this Friday would likely reinforce expectations for an OPR hike in July. The removal of subsidies on certain packaging of cooking oil as well as the price ceiling on chicken and eggs will also lead to higher inflation expectations, but we do not expect the impact on CPI to be too significant given the combined weightage of just under 2.0% in the CPI basket.
- Gold futures were steady at \$1834.6/oz. Oil continued to recover from last week's brutal selloff. Brent crude posted 0.5% increase to \$114.65/barrel while WTI gained 1.0% to \$110.65/barrel.

US existing home sales fell for fourth month in a row:

- Sales of existing homes fell for the fourth straight month in May as high mortgage rates and house prices weighed on demand. Sales fell 3.7% m/m, extending from the 2.6% fall in the previous month and marking its fourth consecutive decline. The median price rose 14.8% y/y to a record high of \$407,600.
- The Chicago Fed National Activity Index fell sharply to +0.01 in May, from the downwardly revised +0.40 in April, thus signalling declining economic growth in the US. This came as production-related indicators alongside sales, orders, and inventories as well as personal consumption and housing contributed negatively to the index. Only the employment-related indicators made a positive contribution.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	30,530.25	2.15
S&P 500	3,764.79	2.45
NASDAQ	11,069.30	2.51
Stoxx Eur 600	408.58	0.35
FTSE 100	7,152.05	0.42
Nikkei 225	26,246.31	1.84
Hang Seng	21,559.59	1.87
Straits Times	3,117.48	0.68
KLCI 30	1,457.88	1.15
FX		
Dollar Index	104.44	-0.25
EUR/USD	1.0533	0.21
GBP/USD	1.2277	0.20
USD/JPY	136.57	1.11
AUD/USD	0.6971	0.29
USD/CNH	6.6922	0.04
USD/MYR	4.3965	-0.08
USD/SGD	1.3854	-0.24
Commodities		
WTI (\$/bbl)	110.65	0.99
Brent (\$/bbl)	114.65	0.46
Gold (\$/oz)	1,834.60	-0.05

Source: Bloomberg, HLBB Global Markets Research

Hong Kong's CPI inflation eased in May:

- Consumer price index in Hong Kong rose at a slightly softer pace of 1.2% y/y in May, compared to 1.3% in April and the consensus forecast of 1.6%. The underlying inflation which removed the impact of government's on-off measures accelerated to 1.7% y/y (Apr: +1.6%), reflecting the enlarged increases in electricity charges and the higher costs of takeaway food and meals outside homes. Prices of clothing & footwear also picked up at a sharper pace amid the stabilisation in the local pandemic situation. Prices of energy-related items continued to rise sharply. A government official said that external price pressures are expected to remain notable due to the rampant inflation in some major import sources, but the overall inflation should stay moderate thanks to mild domestic cost pressures.

RBA said 50bp rate hike was justified by very low Australian rates:

- The Reserve Bank of Australia signalled more rate hikes in the coming months to contain Australia's inflation. Recall that at the 07 June meeting, the RBA had surprised the market with a 50bp rate hike that lifted the cash rate to 0.85%, when the initial consensus expectations called for a 40bp rate hike instead. The latest meeting minutes released yesterday showed that officials discussed two rate hike options i.e., 25bps or 50bps increase. The latter was favoured as it was argued that "an increase of 50 basis points was that the level of interest rates was still very low for an economy with a tight labour market and facing a period of higher inflation".
- Besides, the inflation mindset in Australia was shifting as firms are more willing to pass costs to consumers and employees are demanding higher wages. There is thus a heightened risk of "persistently high inflation", especially if expectations of higher inflation become entrenched. This would make the task of returning inflation to the target to be more difficult and come at a higher cost. A 50bp increase could mitigate this risk. The minutes showed that officials agreed that "further steps would need to be taken to normalise monetary conditions in Australia over the months ahead".
- Governor Lowe spoke in a speech prior to the minutes' publication. He mentioned that the high inflation is cutting into peoples' real incomes and said that officials will discuss 25 or 50bp rate hike at the next meeting in July.

New Zealand's trade surplus narrowed in May on bigger rebound in imports:

- New Zealand continued to register a trade surplus for the 2nd straight month in May, albeit smaller at NZD\$263m (Apr: NZD\$440m downwardly revised). This marked its first back-to-back surplus since Jun-21, as the rebound in imports (+17.0% m/m) outpaced the increase in exports (+12.9% m/m). Both exports and imports fell 4.7% and 19.1% m/m in April. Exports to all major destinations increased and so was imports, except for the imports from North America that fell 20.2% m/m. On a 12-month YTD basis, the trade position remained in a deficit position of NZD\$9.52bn (prior NZD\$9.29bn).

House View and Forecasts

FX	This Week	2Q-22	3Q-22	4Q-22	1Q-23
DX	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	2.75	2.75

Source: HLBB Global Markets Research

Up Next

Date	Events	Prior
22/06	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 (15 Jun)	\$112.8b
	US MBA Mortgage Applications (17 Jun)	6.6%
	EZ Consumer Confidence (Jun P)	-21.1
23/06	JP Jibun Bank Japan PMI Services (Jun P)	52.6
	JP Jibun Bank Japan PMI Mfg (Jun P)	53.3
	SG CPI YoY (May)	5.4%
	EZ S&P Global Eurozone Manufacturing PMI (Jun P)	54.6
	EZ S&P Global Eurozone Services PMI (Jun P)	56.1
	UK S&P Global/CIPS UK Manufacturing PMI (Jun P)	54.6
	UK S&P Global/CIPS UK Services PMI (Jun P)	53.4
	US Initial Jobless Claims (18 Jun)	229k
	US S&P Global US Manufacturing PMI (Jun P)	57
	US S&P Global US Services PMI (Jun P)	53.4
	US Kansas City Fed Manf. Activity (Jun)	23.0

Source: Bloomberg

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