

22 November 2022

Global Markets Research

Daily Market Highlights

22 Nov: Stocks lower as investors await FOMC minutes

Renewed nervousness over China restrictions also weighed down on stocks

DXY climbed to above 107; greenback strengthened against most G10 peers

China kept lending rates unchanged, supporting expectations of status quo in December

- Stocks fell after a volatile session to start a short trading week due to the Thanksgiving holiday. Fears that China may again ramp up Covid restrictions after reporting deaths from the virus also weighed on market, with major equity indices ended in the red across the globe. Traders also looked for further signals from the Federal Reserve about future interest rate hikes in the FOMC minutes to be released on 24th. The S&P 500 shed 0.4% d/d and the Nasdaq Composite fell 1.1% d/d. The Dow Jones Industrial Average fell 0.1% d/d, though losses on the index were mitigated by a jump in Disney shares. Shares of Disney rose 6.3% d/d after the company announced that former CEO Bob Iger would return to the helm of the entertainment giant.
- European markets were muted, with the pan-European Stoxx 600 and FTSE 100 closing flat at -0.1% d/d, while shares in the Asia-Pacific mostly fell on Monday amid growing Covid concerns in China as its central bank kept the benchmark lending rates, or loan prime rates, on hold, in line with expectations. The Hang Seng index fell 1.9% d/d, leading losses in the wider region. In Australia, the S&P/ASX 200 was 0.2% d/d lower.
- Mirroring the equities market, the UST market also went through a choppy trading day before closing the day with modest changes. The yield on the benchmark 10-year Treasury was trading around 3.83% (-0.2bps). The 2-year Treasury yield was last up 2bps at 4.56%. Speaking at the Southern Economic Association over the weekend, Atlanta Fed President Raphael Bostic said rates would likely have to go higher still, but he was prepared to “move away” from implementing 75bps hikes in favor of smaller ones. Investors are also looking to the release of economic data, including durable goods orders and new home sales figures, which are due on Wednesday, for hints about the state of the U.S. economy.
- The Dollar climbed against its G10 counterparts as investors sought shelter in the greenback amidst fears of tighter curbs in China. The Dollar Index gained 0.9% d/d to 107.84. Amongst its G10 peers, the Japanese yen, Australian Dollar and the euro weakened the most vis-à-vis USD at 1.3%, 1.0%, and 0.8% d/d respectively. The Chinese Yuan slipped 0.8% d/d while the Ringgit depreciated 0.5% d/d, in line with its regional peers as well as battered by the latest election impasse. USD/ MYR traded between an intraday low of 4.5535 and a high of 4.5872 closely tracking political headlines on the formation of a coalition government.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	33,700.28	-0.13
S&P 500	3,949.94	-0.39
NASDAQ	11,024.51	-1.09
Stoxx Eur 600	433.06	-0.06
FTSE 100	7,376.85	-0.12
Nikkei 225	27,944.79	0.16
Hang Seng	17,655.91	-1.87
Straits Times	3,250.62	-0.66
KLCI 30	1,447.96	-0.09
FX		
Dollar Index	107.84	0.85
EUR/USD	1.0242	-0.80
GBP/USD	1.1823	-0.56
USD/JPY	142.14	1.26
AUD/USD	0.6605	-1.02
USD/CNH	7.1799	0.75
USD/MYR	4.5800	0.52
USD/SGD	1.3817	0.42
Commodities		
WTI (\$/bbl)	79.73	-0.44
Brent (\$/bbl)	87.45	-0.19
Gold (\$/oz)	1,739.60	-0.84
Copper (\$\$/MT)	7,880.50	-2.42
Aluminum(\$/MT)	2,379.00	-2.10
CPO (RM/tonne)	3,826.50	-3.72

Source: Bloomberg, HLBB Global Markets Research

- In tandem with this, gold prices slipped 0.8% d/d as the dollar extended gains. Oil prices also edged lower, with both the West Texas Intermediate and Brent falling by 0.4% d/d and 0.2% d/d respectively. Crude was weighed down by China's struggle to control COVID while Brent pared losses earlier after Saudis denied reports of output hike.

US Chicago Fed turned negative at -0.05

- The Chicago Fed National Activity Index (CFNAI) decreased to -0.05 in October from +0.17 in September, suggesting that economic activity slowed in October. Production-related indicators contributed -0.05 to the CFNAI in October, down slightly from -0.02 in September. Employment-related indicators contributed -0.02 to the CFNAI in October, down from +0.10 in September.

China kept lending rates unchanged

- As expected, China left its benchmark lending rate unchanged for a third month in a row, with both the 1-year and 5-year loan prime rate held steady at 3.65% and 4.30% respectively. As it is, the recent relaxation in COVID rules and rescue package to support the property market has reduced the need to for more monetary easing in the December meeting.

Hong Kong Composite CPI eased more than expected to 1.8%

- In October, Hong Kong's headline Composite Consumer Price Index (CPI) decelerated to +1.8% y/y (consensus: +2.1% y/y) from +4.4% y/y previously. The softer price gain was mainly led by the sharp deceleration in public house rentals to +5.1% y/y. The low base effect that was present in September's reading, a result of the waiver of public housing rentals by the Hong Kong Housing Authority in September 2021, was removed in October.

New Zealand trade deficit widened by \$0.5bn

- Trade deficit in New Zealand jumped by almost \$0.5bn to \$2.1bn in October as imports surged 24.1% y/y, outpacing exports at +14.1% y/y. The surge in imports was driven higher cost of fuel (+44% y/y) while demand for electrical vehicles (EV) imports drove rise in imports of vehicles, parts, and accessories (+37.2% y/y).

House View and Forecasts

FX	This Week	4Q-22	1Q-23	2Q-23	3Q-23
DX	105-110	115.00	112.70	110.45	110.00
EUR/USD	1.00-1.05	0.95	0.97	0.98	0.98
GBP/USD	1.16-1.20	1.10	1.10	1.11	1.12
USD/JPY	137-142	147.00	146.00	145.00	144.00
AUD/USD	0.65-0.68	0.62	0.63	0.64	0.64
USD/MYR	4.55-4.65	4.68	4.64	4.62	4.60
USD/SGD	1.36-1.39	1.45	1.44	1.42	1.40

Rates, %	Current	4Q-22	1Q-23	2Q-23	3Q-23
Fed	3.75-4.00	4.25-4.50	5.25-5.50	5.25-5.50	5.25-5.50
ECB	2.00	2.75	2.75	2.75	2.75
BOE	3.00	3.25	3.25	3.25	3.25
BOJ	-0.10	-0.10	-0.10	-0.10	-0.10
RBA	2.85	3.10	3.10	3.10	3.10
BNM	2.75	2.75	3.00	3.00	3.00

Source: HLBB Global Markets Research

Up Next

Date	Events	Prior
22-Nov	MA Foreign Reserves	105.2
	EC ECB Current Account SA (Sep)	-26.3b
	EC Consumer Confidence (Nov P)	-27.6
	US Richmond Fed Manufact. Index (Nov)	-10
23-Nov	AU S&P Global Australia PMI Services (Nov P)	49.3
	AU S&P Global Australia PMI Mfg (Nov P)	52.7
	NZ RBNZ Official Cash Rate	3.50%
	SI CPI YoY (Oct)	7.50%
	EC S&P Global Eurozone Manufacturing PMI (Nov P)	46.4
	EC S&P Global Eurozone Services PMI (Nov P)	48.6
	UK S&P Global/CIPS UK Manufacturing PMI (Nov P)	46.2
	UK S&P Global/CIPS UK Services PMI (Nov P)	48.8
	US MBA Mortgage Applications	+2.7%
	US Durable Goods Orders (Oct P)	0.40%
	US Cap Goods Orders Nondef Ex Air (Oct P)	-0.40%
	US Initial Jobless Claims	222k
	US Continuing Claims	1507k
	US S&P Global US Services PMI (Nov P)	47.8
	US S&P Global US Composite PMI (Nov P)	48.2
	US U. of Mich. Sentiment (Nov F)	54.7
	US New Home Sales MoM (Oct)	-10.90%

Source: Bloomberg

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