

Global Markets Research
Daily Market Highlights

22 Dec: Risk appetite made a modest return

Surprisingly upbeat US consumer confidence and positive corporate earnings

US and European stocks advanced; UST shrugged off two days of losses

DXY recaptured 104s; JPY saw mild correction from post-BOJ rally

- US stocks advanced for a 2nd straight day as the bigger than expected spike in US consumer confidence and a slew of positive corporate earnings from Nike and FedEx drove investor sentiments higher. The three key US benchmark stock indices rallied between 1.5-1.6% on the day. European stocks also traded in a biddish tone earlier while Asian stocks found some support and traded mixed. Futures are pointing to higher openings in Asia market this morning, trailing the overnight rally in the US.
- Global sovereign bonds saw mixed performance for the first time in three days. The UST snapped its two-day selloff and advanced, pushing yields down 2-4bps across the curve. The 2Y UST yields lost 4bps to 4.21% while the 10s fell 2bps to 3.66%. UK gilts also saw minor gains for the first time in three days, witnessing a 2bps decline in its 10Y bond yields while other European bonds saw mixed trading.
- The Dollar Index regained some lost ground after two days of losses, bouncing back above the 104 handle to last settle at 104.24, up 0.3% d/d. The greenback strengthened against all G10s with the exception of the AUD and NOK. The JPY corrected from prior post-BOJ rally, softening by 0.6% d/d to 132.46. Asian currencies traded on a mixed note. The KRW continued to lead gainers (+0.5%), while the CNY took a turn and weakened against the USD. The MYR continued to see minor loss (-0.1%) for the 5th straight day against the USD at 4.4382, while the SGD closed little changed at 1.3514.
- On the commodity front, oil saw broad renewed strength as an EIA report showed US stockpiles plunged more than expected. The outage at the Keystone pipeline reduced supply while producers are reducing holdings before the end of the year due to tax concerns, the EIA reported. Both the WTI and Brent increased 3.2% d/d, to \$78.42/ barrel and \$82.28 barrel respectively. Gold retreated somewhat by 0.2% amid paring of haven demand as sentiments improved.

Continued weakness in the US housing market; consumers turned more upbeat

- US MBA mortgage applications continued to increase for the 2nd straight week, albeit at a slower rate of 0.9% w/w for the week ended 16-Dec (prior +3.2% w/w). Quicker gains in refinancing to its fastest in three months (+6/0% vs +2.8%), was negated by a minute decline in new purchases (-0.1% vs +4.0%), even as long term borrowing costs pulled back to a 3-month low at 6.34% (prior 6.42%).

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	33,376.48	1.60
S&P 500	3,878.44	1.49
NASDAQ	10,709.37	1.54
Stoxx Eur 600	431.44	1.71
FTSE 100	7,497.32	1.72
Nikkei 225	26,387.72	-0.68
Hang Seng	19,160.49	0.34
Straits Times	3,256.19	0.07
KLCI 30	1,462.55	-0.33
FX		
Dollar Index	104.24	0.25
EUR/USD	1.0605	-0.18
GBP/USD	1.2082	-0.83
USD/JPY	132.46	0.55
AUD/USD	0.6707	0.43
USD/CNH	6.9864	0.36
USD/MYR	4.4382	0.09
USD/SGD	1.3514	-0.01
Commodities		
WTI (\$/bbl)	78.42	3.16
Brent (\$/bbl)	82.28	3.26
Gold (\$/oz)	1,823.90	-0.21
Copper (\$\$/MT)	8,396.50	0.28
Aluminum(\$/MT)	2,395.50	1.01
CPO (RM/tonne)	3,893.00	-0.59

Source: Bloomberg, HLBB Global Markets Research

- In a separate release, existing home sales registered a bigger than expected contraction of 7.7% m/m in November (Oct: -5.9%), extending its decline into a 10th straight month, its longest losing streak on record. This underscored continued weakness in the housing market, taking the brunt of higher mortgage rates and dampened affordability.
- Conference Board consumer confidence jumped more than expected to 108.3 in December (Nov: 101.4 revised), its highest in eight months. Consumers turned much more upbeat on the present situation as well as the outlook going forward, thanks to optimism surrounding the job market outlook and easing inflation.

Japan machine tool orders fell 7.7% y/y in November

- Machine tool orders fell for the 2nd consecutive month, by 7.7% y/y in November (Oct: -5.5% y/y), just a tad lower than the 7.8% decline reported in the preliminary print. The first back-to-back decline since Oct-20 was due to extended declines in both domestic and foreign orders, a sign of weakness in business spending. Notable declines were seen across all sectors except steel, metal products, shipbuilding & transport, and aircraft.

House View and Forecasts

FX	This Week	4Q-22	1Q-23	2Q-23	3Q-23
DXY	102-105	100.00	98.00	96.04	96.04
EUR/USD	1.05-1.08	1.08	1.10	1.11	1.11
GBP/USD	1.20-1.24	1.25	1.26	1.27	1.27
USD/JPY	130-138	133	130	128	128
AUD/USD	0.66-0.69	0.69	0.70	0.72	0.72
USD/MYR	4.38-4.44	4.36	4.31	4.28	4.28
USD/SGD	1.34-1.37	1.33	1.32	1.30	1.30

Rates, %	Current	4Q-22	1Q-23	2Q-23	3Q-23
Fed	4.25-4.50	4.25-4.50	4.75-5.00	4.75-5.00	4.75-5.00
ECB	2.50	2.50	3.00	3.00	3.00
BOE	3.50	3.50	4.00	4.00	4.00
BOJ	-0.10	-0.10	-0.10	-0.10	-0.10
RBA	3.10	3.10	3.35	3.35	3.35
BNM	2.75	2.75	3.00	3.00	3.00

Source: HLBB Global Markets Research

Up Next

Date	Events	Prior
22-Dec	JN Leading Index CI (Oct F)	99.0
	MA Foreign Reserves (42339)	\$109.7bn
	UK GDP YoY (3Q F)	2.40%
	US GDP Annualized QoQ (3Q T)	2.90%
	US Core PCE QoQ (3Q T)	4.60%
	US Initial Jobless Claims (17-Dec)	211k
	US Leading Index (Nov)	-0.80%
23-Dec	US Kansas City Fed Manf. Activity (Dec)	-6
	JN Natl CPI YoY (Nov)	3.70%
	MA CPI YoY (Nov)	4.00%
	SI Industrial Production YoY (Nov)	-0.80%
	SI CPI YoY (Nov)	6.70%
	US Personal Income (Nov)	0.70%
	US Personal Spending (Nov)	0.80%
	US Durable Goods Orders (Nov P)	1.10%
	US PCE Deflator YoY (Nov)	6.00%
	US U. of Mich consumer sentiments (Dec F)	59.1
	US New Home Sales MoM (Nov)	7.50%

Source: Bloomberg

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