23 February 2022

Global Markets Research

Daily Market Highlights

23-Feb: Broad selloffs amid geopolitical jitters

Risk-off mode prompted selloffs in both equities and bonds

USD traded mixed; safe haven JPY and CHF under pressure too

US PMIs surprised on the upside; prices subindex reaffirmed higher inflation outlook

- Financial markets remained in risk-off mode and the selloffs were evident across the board regardless of riskier equities or safer government bonds as the Russia-Ukraine standoffs intensified amid proposed sanctions on Russia's elite and sovereign debt by the US, EU and the UK. All the three US benchmark stock indices ended more than 1.0% lower on Tuesday. Stocks however ended slightly in the green earlier in Europe and plunged as much as 2.0% in Asia (Nikkei -1.7% and Hang Seng 2.7%). Futures point to a mixed start today.

- The perceived safer government bonds were under pressure too. The UST curve bear flattened considerably as the front end 2Y note yields added 9bps to 1.55% while the 10s rose just a bp to 1.94%. In Europe, yields on the 10Y UK gilts rose 6bps while the German bunds added 4bps.

- The USD traded mixed against the G10 currencies, weaker against the EUR, Nordic and commodity currencies but stronger against the GBP, JPY and CHF. The Dollar Index pared gains and ended flat at 96.08, after briefing breaking the 96.0 handle and hitting an intraday low of 95.84 overnight.

- USD/MYR closed 0.1% higher at 4.1850 on Tuesday, after seeing a tight trading range of 4.1815 – 4.1870. We maintain a neutral to bullish outlook on USD/MYR this week, taking into account the potential escalation of Russia-Ukraine confrontation that may weigh on emerging market currencies. We continue to eye a range of 4.17-4.20.

- On the commodity front, Brent crude rallied 1.1% to $96.44/barrel amid ongoing concerns Russian confrontation would risk oil supply to Europe. WTI however fell 0.75% to $91.07 after the US markets reopened. Gold also retreated somewhat by 0.1% to $1898.60/oz amid broad market selloffs.

Mixed US data – higher PMIs; weaker consumer confidence and Richmond Fed manufacturing:

- Preliminary readings of Markit PMI surprised on the upside in February. The Markit PMI manufacturing picked up more than expected to 57.5 (Jan: 55.5 and consensus 56.0) while the services gauge jumped even more by 5.5-points to 56.7 (Jan: 51.2 and consensus 53.0) as the Omicron wave started to pull back from its peak. The prices sub-index continued to increase, reaffirming elevated inflation expectations and risks.
- The Conference Board Consumer Confidence softened a tad to a five-month low of 110.5 in February, and January's print was revised substantially down to 111.1 (from 113.8), as consumers remained wary over the impact of decades-high inflation over growth and financial outlook ahead. This would inevitably hinder growth momentum as high inflation dampens consumer's real purchasing power.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	33,596.61	-1.42
S&P 500	4,304.76	-1.01
NASDAQ	13,381.52	-1.23
Stoxx 600	455.12	0.07
FTSE 100	7,494.21	0.13
Nikkei 225	26,449.61	-1.71
Hang Seng	23,520.00	-2.69
Straits Times	3,400.58	-1.04
KLCI 30	1,576.96	-0.36
FX		
Dollar Index	96.08	0.00
EUR/USD	1.1325	0.12
GBP/USD	1.3585	-0.12
USD/JPY	115.08	0.30
AUD/USD	0.7219	0.40
USD/CNH	6.3239	-0.04
USD/MYR	4.1850	0.11
USD/SGD	1.3455	-0.06
Commodities		
WTI ($/bbl)	91.07	-0.75
Brent ($/bbl)	96.44	1.10
Gold ($/oz)	1,898.60	-0.11

Source: Bloomberg, HLBB Global Markets Research

- House price indicators largely pointed to continuous increase in house prices in the US, driven by a confluence of supply and demand dynamics as well as low interest rates. The FHFA House Price Index showed a sustained 1.2% m/m increase in December while the S&P CoreLogic CS US HPI saw quicker rise of 1.5% m/m or 18.6% y/y in December (Nov: +1.2% m/m and +18.4% y/y).
- US Richmond Fed Manufacturing Index staged a surprised pullback to 1 in February (Jan: 8), defying expectations for an increase to 10 and marked its worst reading in five months. New orders and shipments all took a turn to negative readings, suggesting slower economic growth in 1Q22.

HK CPI eased more than expected in January:

- CPI pulled back more than expected to 1.2% y/y in January, at half the pace of increase in December (+2.4% y/y). This slowest increase in seven months was due to extended decline in housing (-0.4% vs -0.5% y/y), slower increase in food (+2.8% vs +3.0%), and a reversal in utilities (-2.4% vs +54.2%), which far outweighed the pick-up in transport prices (+6.4% vs +4.1%). Overall inflationary outlook is expected to remain mild in 2022 as Hong Kong's strict Covid measures is expected to limit domestic consumption.

Slight pullback in Malaysia foreign reserves:

- BNM international reserves tapered off by US$0.3bn to US$115.8bn as at 15-Feb, down from end-January's $116.1bn. The reserves position is sufficient to finance 6.1 months of imports of goods and services under the new definition, and is 1.2x of total short-term external debt. Based on the previous calculation from retained imports, imports cover has eased slightly to 7.3 months, from 7.5 months as at end-January.

House View and Forecasts

FX	This Week	1Q-22	2Q-22	3Q-22	4Q-22
DXY	95-97	96.15	96.40	96.30	96.30
EUR/USD	1.13-1.15	1.13	1.12	1.12	1.13
GBP/USD	1.35-1.37	1.34	1.33	1.35	1.36
AUD/USD	0.71-0.73	0.72	0.72	0.74	0.75
USD/JPY	114-116	115	116	115	114
USD/MYR	4.17-4.20	4.17	4.15	4.15	4.10
USD/SGD	1.34-1.35	1.35	1.34	1.34	1.33

Rates, %	Current	1Q-22	2Q-22	3Q-22	4Q-22
Fed	0.00-0.25	0.25-0.50	0.75-1.00	1.25-1.50	1.25-1.50
ECB	-0.50	-0.50	-0.50	-0.50	-0.50
BOE	0.50	0.75	1.00	1.00	1.00
RBA	0.10	0.10	0.10	0.10	0.25
BOJ	-0.10	-0.10	-0.10	-0.10	-0.10
BNM	1.75	1.75	1.75	1.75	2.00

Source: HLBB Global Markets Research

Up Next

Date	Events	Prior
23/02	AU Wage Price Index YoY (4Q)	2.2%
	NZ RBNZ Official Cash Rate (23 Feb)	0.75%
	SG CPI YoY (Jan)	4.0%
	EZ CPI YoY (Jan F)	5.0%
	US MBA Mortgage Applications	-5.4%
	HK GDP YoY (4Q F)	4.8%
	HK GDP Annual YoY (2021)	6.4%
24/02	NZ Exports NZD (Jan)	6.07b
	MA CPI YoY (Jan)	3.2%
	HK Exports YoY (Jan)	24.8%
	US Chicago Fed Nat Activity Index (Jan)	-0.15

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US Initial Jobless Claims (19 Feb)	248k
US GDP Annualized QoQ (4Q S)	6.9%
US New Home Sales MoM (Jan)	11.9%

Source: Bloomberg