

Global Markets Research
Daily Market Highlights

23-May: Recession fear weighed on stocks & yields

US stocks closed out the week lower as recession fear intensified

10Y UST yield slumped further to below 2.80%

Dollar recouped losses but ended the week lower

- US stocks generally ended little changed on Friday. The S&P 500 pared intraday losses and avoided closing in a bear market, closing unchanged (+0.0%) alongside the Dow Jones (+0.0%). The tech-focus NASDAQ index fell 0.3%. For the week, all three benchmarks recorded losses ranging from 2.9-3.8% w/w as investors grappled with the prospects of a US recession as the Federal Reserve continues to raise interest rates to battle elevated inflation. The Dow Jones has now registered its eighth consecutive negative week.
- Treasury yields trended lower last week thanks to safe-haven bidding. The benchmark 10Y UST yield slumped 6bps further to below 2.8%, at 2.78%. It was 14bps lower compared to the previous week.
- The dollar index recouped some losses on Friday, adding 0.4% to 103.15 as the greenback was seen strengthening against most G10 currencies except the NZD and GBP which posted minor gains. Nonetheless, concerns of a US downturn pressured the greenback by 1.4% w/w.
- USD/MYR depreciated by 0.4% to 4.3890 on Friday. For the week, the pair was down by 0.2% thanks to the broad-based USD weakness last week. The recent consolidation in the greenback did not alter the overall bullish outlook on USD/MYR, although it may slow the pace of the upward trajectory. We are maintaining a neutral to slightly bullish view on USD/ MYR in the week ahead, likely close to current ranges of 4.36-4.41. Malaysia CPI is on the deck and it is not expected to have any major influence on the pair.
- Gold futures were little changed (+0.05%) at \$1842.10/oz on Friday and posted their first weekly gain (+1.9%) for the first time in five weeks thanks to a halt in the USD rally. Crude oil benchmarks advanced further on Friday; Brent rose 0.5% to \$112.55/barrel while WTI picked up 0.9% to \$113.23/barrel. The WTI benchmark was seen edging below \$110/barrel this morning as Saudi Arabia said over the weekend that it will continue to support Russia's position in OPEC+.
- In the week ahead, the Fed publishes the latest FOMC meeting minutes, giving investors a chance to scrutinize its most recent decision and to gauge the magnitudes of the upcoming hikes. Key data include preliminary readings for the US, Eurozone, UK and Japan Markit PMI. The US also reports its second estimate of 1Q22 GDP as well as other top-tiered data such as personal income, personal spending, core PCE inflation, durable goods orders and advance goods trade.

UK retail sales rebounded in April:

- The headline retail sales growth in the UK registered a strong showing in April, coming in at 1.4% m/m, versus the consensus forecast of -0.3% m/m. This came as sales rebounded from the two-month losing streak in Feb and March (-1.2%

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	31,261.90	0.03
S&P 500	3,901.36	0.01
NASDAQ	11,354.62	-0.30
Stoxx 600	431.10	0.73
FTSE 100	7,389.98	1.19
Nikkei 225	26,739.03	1.27
Hang Seng	20,717.24	2.96
Straits Times	3,240.58	1.56
KLCI 30	1,549.12	-0.02
FX		
Dollar Index	103.15	0.41
EUR/USD	1.0564	-0.23
GBP/USD	1.2480	0.10
USD/JPY	127.88	0.07
AUD/USD	0.7040	-0.13
USD/CNH	6.6998	-0.38
USD/MYR	4.3890	-0.35
USD/SGD	1.3804	-0.05
Commodities		
WTI (\$/bbl)	113.23	0.91
Brent (\$/bbl)	112.55	0.46
Gold (\$/oz)	1,842.10	0.05

Source: Bloomberg, HLBB Global Markets Research

m/m) and was driven by sales of food, auto fuel, clothing as well as online goods. Compared to the same period last year, retail sales were 6.1% y/y lower (Mar: -0.2%). Despite the positive reading, forward indicators such as the weakening GfK consumer confidence index (-40 in May) points to weakness in the months ahead as consumers grappled with high inflation and the higher interest rates.

UK Rightmove house prices picked up in May:

- Rightmove house prices increased at a faster pace of 2.1% m/m or 10.2% y/y in May (Apr: +1.6% m/m and +10.2% y/y), spurred by supply shortages and steady demand post pandemic. According to Rightmove, the number of properties for sale is down 55% from levels in 2019 while genuine buyers are prioritizing home purchases, hence the supply-demand imbalances. That said, higher interest rates since December may keep a lid on demand and limit the gains in house prices going forward once the supply-demand gap narrows.

Eurozone consumer sentiment remained battered in May:

- The flash reading of the Eurozone's Consumer Sentiment Indicator picked up 0.9pts to -21.1 in May, up slightly from -22.0 in April. The index remained well below its long-term average and painted a picture of gloomy consumer sentiment as higher inflation eats into consumer purchasing power parity and affects personal finance while the Ukraine-Russia war is showing no sign of a ceasefire.

House View and Forecasts

FX	This Week	2Q-22	3Q-22	4Q-22	1Q-23
DXY	101-104	106.00	108.00	105.00	103.00
EUR/USD	1.04-1.07	1.02	1.00	1.01	1.03
GBP/USD	1.22-1.26	1.21	1.20	1.22	1.24
AUD/USD	0.69-0.71	0.69	0.68	0.69	0.70
USD/JPY	126-130	133.00	135.00	133.00	132.00
USD/MYR	4.36-4.41	4.38	4.40	4.38	4.35
USD/SGD	1.37-1.39	1.39	1.40	1.38	1.37

Rates, %	Current	2Q-22	3Q-22	4Q-22	1Q-23
Fed	0.75-1.00	1.25-1.50	2.00-2.25	2.50-2.75	2.50-2.75
ECB	-0.50	-0.50	-0.50	-0.25	-0.25
BOE	1.00	1.25	1.25	1.25	1.25
RBA	0.35	0.50	0.75	1.00	1.25
BOJ	-0.10	-0.10	-0.10	-0.10	-0.10
BNM	2.00	2.00	2.50	2.50	2.75

Source: HLBB Global Markets Research

Up Next

Date	Events	Prior
23/05	SG CPI YoY (Apr)	5.4%
	MA Foreign Reserves (13 May)	\$112.5b
	HK CPI Composite YoY (Apr)	1.7%
	US Chicago Fed Nat Activity Index (Apr)	0.44
24/05	NZ Retail Sales Ex Inflation QoQ (1Q)	8.6%
	JP Jibun Bank Japan PMI Services (May P)	50.7
	JP Jibun Bank Japan PMI Mfg (May P)	53.5
	EZ S&P Global Eurozone Manufacturing PMI (May P)	55.5
	EZ S&P Global Eurozone Services PMI (May P)	57.7
	UK S&P Global/CIPS UK Manufacturing PMI (May P)	55.8
	UK S&P Global/CIPS UK Services PMI (May P)	58.9
	US S&P Global US Manufacturing PMI (May P)	59.2
	US S&P Global US Services PMI (May P)	55.6
	US Richmond Fed Manufact. Index (May)	14.0
	US New Home Sales MoM (Apr)	-8.6%

Source: Bloomberg

Hong Leong Bank Berhad

Fixed Income & Economic Research, Global Markets
 Level 8, Hong Leong Tower
 6, Jalan Damanlela
 Bukit Damansara
 50490 Kuala Lumpur
 Tel: 603-2081 1221
 Fax: 603-2081 8936

HLMarkets@hlbb.hongleong.com.my

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