

Global Markets Research
Daily Market Highlights

23 Nov: Rally in stocks and bonds

Investors shrugged off China's COVID policies, focusing on earnings and Fed policy path

MYR strengthened marginally despite election impasse

RBNZ expected to deliver jumbo rate hike this morning

- Stocks rose as Wall Street looked past tightening COVID policies in China to instead focus on a host of strong earnings reports and the potential for smaller future rate hikes during a holiday-shortened trading week. The Dow Jones Industrial Average closed 1.2% d/d higher, the S&P 500 rose 1.4% d/d, its first close above the 4k level since September. The Nasdaq Composite also gained 1.4% d/d. Mixed earnings results led to a few big stock moves. Best Buy popped 12.8% after the electronics retailer hiked its 2023 fiscal outlook and beat earnings expectations, while Abercrombie & Fitch and American Eagle Outfitters rose 21.4% and 18.2% respectively. On the flip side, Zoom fell 3.1% and Dollar Tree slipped 7.8%.
- Stocks were helped by easing bond yields as investors' attention turned toward 2023 and looked to Federal Reserve speakers. The yield on the benchmark 10-year Treasury was down by 7bps to 3.76%. The 2-year Treasury yield was last at 4.52%, down 1bps. Cleveland Fed President Loretta Mester said that the pace of rate hikes could be slowed, but inflation figures were not yet convincing enough to stop the hikes entirely. Her counterpart Esther George, meanwhile, cautioned that ample US savings may warrant higher interest rates to cool demand.
- The dollar retreated amidst lower Treasury yields, ceding some of the ground gained in the previous session. Dollar Index dipped 0.6% d/d, but stayed above the 107-handle to close at 107.22. The euro appreciated 0.6% d/d. Tuesday's revival in risk appetite helped lift the Australian dollar 0.7% d/d, while the New Zealand dollar rose 0.9% d/d as traders braced for New Zealand's central bank to deliver its biggest ever rate hike this week as it continues efforts to temper inflation. Sterling appreciated 0.5% d/d after data showed Britain's government borrowed less than expected in October. Ringgit, meanwhile, closed the day slightly stronger at 0.1% d/d at 4.5745 after a day of volatile trading despite the election impasse.
- Gold prices rose marginally by 0.02% d/d, helped by a retreat in the dollar. The West Texas Intermediate and Brent rebounded after a choppy session to close up by 1.5% d/d and 1.0% d/d respectively as investors juggled uncertain supply outlook alongside a EU proposal to soften Russian trade sanctions.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	34,098.10	1.18
S&P 500	4,003.58	1.36
NASDAQ	11,174.41	1.36
Stoxx Eur 600	436.22	0.73
FTSE 100	7,452.84	1.03
Nikkei 225	28,115.74	0.61
Hang Seng	17,424.41	-1.31
Straits Times	3,259.56	0.28
KLCI 30	1,441.29	-0.46
FX		
Dollar Index	107.22	-0.57
EUR/USD	1.0304	0.61
GBP/USD	1.1886	0.53
USD/JPY	141.23	-0.64
AUD/USD	0.6649	0.67
USD/CNH	7.1367	-0.60
USD/MYR	4.5745	-0.12
USD/SGD	1.3778	-0.28
Commodities		
WTI (\$/bbl)	80.95	1.53
Brent (\$/bbl)	88.36	1.04
Gold (\$/oz)	1,739.90	0.02
Copper (\$\$/MT)	8,013.00	1.68
Aluminum(\$/MT)	2,429.00	2.10
CPO (RM/tonne)	3,847.00	0.54

Source: Bloomberg, HLBB Global Markets Research

US Richmond Fed PMI remained in negative territory at -10

- According to Richmond Fed, manufacturing firms are reporting softening conditions in November. The composite manufacturing index remained negative but edged up from -10 in October to -9 in November. Of its three component indexes, the shipments and employment indices deteriorated slightly, edging downward to -8 and -1. Volume of new orders, however, showed some improvement, increasing from -22 to -14 in November.

Eurozone consumer confidence improved but remained below long run average

- In November, flash estimate of Euro's consumer confidence indicator improved 3.6 points -23.9. At this level, consumer confidence nevertheless remains at a very low level, well below its long-term average.
- Current account deficit narrowed in September as the trade deficit halved. Once running big surpluses, the 19-country Eurozone slipped into a current account deficit this year as soaring energy prices and a weak euro pushed up its import bill. The current account deficit narrowed to €8.1bn from €26.9bn the prior month. In the 12 months to September, the bloc's current account deficit equalled 0.4% of GDP after a surplus of 2.8% in the preceding 12 months.

Australia PMIs dipped in November

- The S&P Global Flash Services Business Activity Index edged down to 47.2 in November from 49.3 in October, a second straight month of contraction of the service sector. Similarly, the S&P Global Flash Australia Manufacturing PMI also fell to 51.5 for the same month, down from a final reading of 52.7 in October. This marked the thirtieth successive month in which conditions in the manufacturing sector strengthened, but the latest improvement was the softest since June 2020.
- With these PMIs, this suggests that the private sector economy worsened midway into 4Q, faced with deteriorating demand conditions. In particular, the service sector continued to be affected by higher interest rates and capacity constraints. With price inflation further climbing in November, the pressure remains on the central bank to keep tightening monetary policy to rein in prices. This is also amid indications of solid employment growth from the PMI data. The mix of deteriorating demand and worsening price pressures does not bode well for the near-term outlook and this is reinforced by the decline in private sector confidence.

Singapore 3Q GDP growth revised downwards to 4.1%; narrowed GDP forecast to around 3.5% in 2022, 0.5%-2.5% in 2023

- Singapore revised its 3Q GDP growth downward to 4.1% y/y from its advance estimate of +4.4% y/y. This is below consensus estimate's +4.3% y/y and easing from +4.5% y/y in 2Q. On a q/q basis, the economy grew by 1.1%, reversing the 0.1% q/q contraction in 2Q and averting a technical recession.
- Taking into account the performance of the Singapore economy in the first three quarters of the year (+4.2% y/y) as well as the latest external and domestic developments, the government narrowed its GDP forecast to "around 3.5%", from 3.0-4.0%. Looking ahead to 2023, GDP growth rates in most major economies are expected to moderate further from 2022 levels, with sharp slowdowns projected in the US and Eurozone. Global supply disruptions are likely to continue as the war in Ukraine drags on, even though the extent and frequency of disruptions is expected to ease. With this, the Singapore economy is expected to grow by 0.5-2.5% in 2023.

Malaysia foreign reserves rose \$2.3bn to \$107.5bn as at 15-November

- Malaysia's foreign reserves continued with its upward trend, rising by \$2.3bn in 1H of November to \$107.5bn as at 15 November. The build-up is higher

than \$0.7bn in 2H of October and is sufficient to finance 5.2 months of imports and is 1.0 time of the total short-term external debt.

House View and Forecasts

FX	This Week	4Q-22	1Q-23	2Q-23	3Q-23
DXY	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
23-Nov	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 U. of Mich. Sentiment (Nov F)	54.7
	US New Home Sales MoM (Oct)	-10.90%
24-Nov	US FOMC Meeting Minutes	
	JN Jibun Bank Japan PMI Services (Nov P)	53.2
	JN Jibun Bank Japan PMI Mfg (Nov P)	50.7
	JN Leading Index CI (Sep F)	94.4

Source: Bloomberg

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