

23 December 2022

Global Markets Research

Daily Market Highlights

23 Dec: US core PCE in focus tonight

Bigger than expected rebound in 3Q GDP renewed Fed rate hike concerns

US stocks fell and bonds came under renewed pressure

DXY firmed up a 2nd straight day; GBP fell on weaker final 3Q GDP print

- US stocks snapped a two-day advance as more upbeat than initially expected 3Q GDP reading stoke fear continuous Fed rate hike will push the US into a recession sooner rather than later. The three benchmark US stock indices fell between 1.1-2.2% d/d, led lower by industrials, tech, and energy stocks. The NASDAQ plunged 2.2% while the S&P500 lost 1.5% followed by the Dow's 1.1% decline. Earlier in Europe, stocks saw renewed decline while Asian stocks ended largely in the green. Futures are pointing to lower openings in Asia market this morning, as markets Fed rate hike outlook unnerves markets again with many markets heading into the long Christmas weekend.
- Global sovereign bonds came under selling pressure again, but yields saw more modest uptick compared to the massive spike earlier in the week. The UST curve bear flattened, with 2Y note yields added 6bps to 4.27% while the 10s edged up 2bps at 3.68%. 10Y sovereign bond yields were seen rising between 2-11bps in Europe, and was mixed in Asia.
- The Dollar Index continued to inch higher for the 2nd straight day, rising 0.2% to 104.43, on the back of weaknesses in all G10s except the minor gain in JPY. Commodity currencies namely NZD and AUD saw the biggest declines between 0.7-0.8% d/d while the EUR (-0.1%) and GBP (-0.4%) saw most modest decline. In the Asia space, CNH and SGD were seen weakening against the greenback while the MYR joined advancers (most notably the KRW which has been strengthening in the last four days), strengthening 0.3% d/d to 4.4230 against the USD, its strongest in a week.
- On the commodity front, oil corrected from prior day's rally with modest declines. The WTI fell 0.2% d/d to \$78.24/ barrel while the Brent fell 0.7% d/d, to \$81.68/ barrel. Gold continued to pull back (-1.3% d/d) amid USD strength.

US final 3Q GDP revised 0.3ppt higher to 3.2% q/q; initial jobless claims ticked up less than expected to 216k; leading index saw steeper fall implying weaker outlook ahead

- Final print of 3Q GDP was revised 0.3ppt higher to 3.2% q/q (2Q: -0.6% q/q), thanks to an upward revision in private consumption to +2.3% from +1.7% q/q (2Q: +2.0% q/q), reflecting a faster than initial rebound in economic activities in 3Q from the 2Q slump. The upward revision in private consumption was however partially negated by a bigger than initially estimated contraction in private investment, as well as smaller exports gain.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	33,027.49	-1.05
S&P 500	3,822.39	-1.45
NASDAQ	10,476.12	-2.18
Stoxx Eur 600	427.26	-0.97
FTSE 100	7,469.28	-0.37
Nikkei 225	26,507.87	0.46
Hang Seng	19,679.22	2.71
Straits Times	3,269.53	0.41
KLCI 30	1,468.35	0.40
FX		
Dollar Index	104.39	0.14
EUR/USD	1.0596	-0.08
GBP/USD	1.2038	-0.36
USD/JPY	132.35	-0.08
AUD/USD	0.6670	-0.55
USD/CNH	7.0096	0.33
USD/MYR	4.4230	-0.34
USD/SGD	1.3535	0.16
Commodities		
WTI (\$/bbl)	78.24	-0.23
Brent (\$/bbl)	81.69	-0.72
Gold (\$/oz)	1,800.40	-1.29
Copper (\$\$/MT)	8,257.50	-1.66
Aluminum(\$/MT)	2,392.00	-0.15
CPO (RM/tonne)	3,914.50	0.55

Source: Bloomberg, HLBB Global Markets Research

On a year-on-year basis, real GDP grew 1.9% y/y in 3Q (2Q: +1.8% y/y), translating into an average growth of 2.5% y/y YTD.

- Growth outlook going forward was however not as positive. Leading index continued to decline for the 9th straight month, and by a faster than expected pace of 1.0% m/m in November (Oct: -0.9% m/m revised), marking its biggest decline in the current losing streak, and also the biggest since the beginning of the pandemic in Apr-20 (-5.3%), a sign of weaker growth outlook ahead.
- In a separate release, data showed a still resilient job market, which would remain one of the key growth pillars. Initial jobless claims ticked up, albeit less than expected to 216k for the week ended 17-Dec (prior 214k upwardly revised), while continuing claims unexpectedly tapered off to 1672k for the week ended 10-Dec (prior 1678k upwardly revised).
- Kansas City Fed manufacturing slipped more than expected to print -9 in December (Nov: -6), marking its 3rd straight month of contraction, adding to signs of a wobbly manufacturing sector. The deterioration was led by production (-13 vs -10), new orders (-17 vs -12), employment (0 vs 3), while prices paid retreated (13 vs 22).

UK final 3Q GDP showed a worse than initially estimated deterioration

- UK final 3Q GDP reported a bigger than initially estimated contraction of 0.3% q/q (initial -0.2% q/q; 2Q: +0.1% q/q), while the economy grew at a slower pace of 1.9% y/y (initial +2.4% y/y; 2Q: +4.0% y/y). The downward revision was due to bigger falls in private consumption, slower growth in government spending and investment. The weaker final print as well as high frequency data in early 4Q added to signs the UK economy is at the brink of a recession, with probability of a recession standing tall at 90%.

Japan leading index ticked up less than initially estimated; CPI ticked up to a fresh three-decade high

- Final leading index rose less than initially estimated to 98.6 in October (prelim 99.0; Sept 98.2), below the 100 threshold for the second straight month. The coincident index also came in lower than initially estimated at 99.6 (prelim 99.9; Sept 100.8). The biggest drag came from producers' final demand, and machinery orders, both a sign of weaker business spending and growth outlook going forward.
- National CPI ticked up less than expected to 3.8% y/y in November (Oct: +3.7%), while inflation ex-food and energy accelerated to 2.8% y/y as expected (Oct: +2.5%), its highest in over three decades, offering support to the BOJ's policy pivot.

Malaysia foreign reserves continued to increase to \$110.3bn

- Foreign reserves increased \$0.6bn to \$110.3bn as at 15-December (prior \$109.7bn), marking its 4th fortnightly increase, somewhat easing concerns of fast dwindling reserves. The current reserves level is sufficient to finance 5.3 months of imports of goods and services and is 1.1x the short term external debt.

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
23-Dec	MA CPI YoY (Nov)	4.0%
	SI Industrial Production YoY (Nov)	-0.8%
	SI CPI YoY (Nov)	6.7%
	US Personal Income (Nov)	0.7%
	US Personal Spending (Nov)	0.8%
	US Durable Goods Orders (Nov P)	1.1%
	US PCE Deflator YoY (Nov)	6.0%
	US U. of Mich consumer sentiments (Dec F)	59.1
	US New Home Sales MoM (Nov)	7.5%
	JN Jobless rate (Nov)	2.6%
27-Dec	JN Retail sales MoM (Nov)	0.2%
	JN Dept store sales YoY (Nov)	4.1%
	CH industrial profits YTD YoY (Nov)	-3.0%
	JN housing starts YoY (Nov)	-1.8%
	US FHFA house price index (Oct)	0.1%
	US S&P Core Logic CS 20-City YoY (Oct)	10.4%
	US Richmond Fed manufacturing (Dec)	-9
	US Dallas Fed manufacturing (Dec)	-14.4

Source: Bloomberg

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