

Global Markets Research
Daily Market Highlights

24-Jan: US stocks dipped for third consecutive week

US equities selloff deepened; treasury yields fell on safe haven demand

UK retail sales hurt by Omicron in December

Malaysia's CPI remained elevated on flood impact

- The selloff continued in US stocks last Friday, leaving all major indexes to close out the week with their third consecutive losses since the start of 2022. Investors dumped more tech stocks although the selling was broad-based across all sectors ahead of this week's Federal Reserve meeting. On Friday, the NASDAQ which was pushed into correction territory last week plunged 2.7%, followed by the S&P 500 (-1.9%) and Dow Jones (-1.3%). For the week, both S&P 500 and Dow lost over 5.0% while NASDAQ dipped 7.0%.
- Treasury yields were pressured across the board as investors exited risky assets and bought bonds. The benchmark 10Y UST yield closed 4.6bps lower at 1.76% on Friday, marking its third day of decline. The dollar recorded mixed performances against the G10 basket on Friday; the dollar index ticked slightly lower (-0.1%) to 95.64 but ended the week with a 0.5% gain.
- USD/MYR fell 0.1% to 4.1855 on Friday, matching our expectations of a muted trading ahead of the weekend. For the week, the pair rose 0.2%. We are neutral on USD/MYR this week, eyeing a range of 4.17-4.20 but highlight that any surprised policy guidance from the FOMC meeting could be a swing factor.
- Gold prices slipped 0.6% to \$1831.8/oz but posted a weekly gain of 0.8%. Crude oil benchmarks slumped amid some profit taking activities and recorded their fifth back-to-back weekly increase. Brent crude settled 0.6% lower at \$87.89/barrel and WTI plummeted by 2.0% to \$85.14/barrel.

US leading index rose in December:

- The Conference Board Leading Index picked up 0.8% m/m in December (Nov: +0.7%), pointing to solid US growth momentum towards the end of last year. This reflects positive contributions from lower jobless claims, higher ISM new orders and building permits.

Eurozone consumer sentiment weakest in 10 months:

- The European Commission Consumer Confidence Index was little changed at -8.5 in January, compared to -8.4 in December but was the worst reading in ten months. The spread of the Omicron variant on the continent was the main reason driving the weak sentiment, adding uncertainties to the short-term outlook.

UK retail sales hurt by Omicron; consumer turned gloomy over outlook:

- Retail sales fell 3.7% m/m in December while sales in November was also revised downwards to show a smaller gain of 1.0% m/m. Economists had been less pessimistic over sales performance, expecting a smaller 0.6% m/m decline. Sales fell across all sectors including online sales, as the Omicron variant spread in the UK, curbing shopping and dining activities.

Key Market Metrics

| | Level | d/d (%) |
|--------------------|-----------|---------|
| Equities | | |
| Dow Jones | 34,265.37 | -1.30 |
| S&P 500 | 4,397.94 | -1.89 |
| NASDAQ | 13,768.92 | -2.72 |
| Stoxx 600 | 474.44 | -1.84 |
| FTSE 100 | 7,494.13 | -1.20 |
| Nikkei 225 | 27,252.75 | -0.98 |
| Hang Seng | 24,965.55 | 0.05 |
| Straits Times | 3,294.86 | 0.00 |
| KLCI 30 | 1,527.06 | -0.05 |
| FX | | |
| Dollar Index | 95.64 | -0.10 |
| EUR/USD | 1.1344 | 0.28 |
| GBP/USD | 1.3553 | -0.35 |
| USD/JPY | 113.68 | -0.38 |
| AUD/USD | 0.7185 | -0.57 |
| USD/CNH | 6.3414 | -0.09 |
| USD/MYR | 4.1855 | -0.10 |
| USD/SGD | 1.3448 | -0.19 |
| Commodities | | |
| WTI (\$/bbl) | 85.14 | -2.03 |
| Brent (\$/bbl) | 87.89 | -0.55 |
| Gold (\$/oz) | 1,831.80 | -0.59 |

Source: Bloomberg, HLBB Global Markets Research

- The GfK Consumer Confidence slipped to -19 in January, from -15 in December as consumers turned negative on their personal finances for the next 12 months (-2 vs 1) and also adjusted further down the economic outlook for the same period (-32 vs -24).

Flood impact kept Malaysia's CPI elevated:

- Headline Consumer Price Index (CPI) tapered off for the first time in four months, albeit at a less than expected pace to 3.2% y/y in December (Nov: +3.3% y/y), above ours as well as market expectations. Prices of food and transport continued to increase albeit at a slower pace, while electricity costs saw steady gains. Core CPI edged higher but remained very subdued at 1.1% y/y (Nov: +0.9% y/y) while services CPI jumped to a 7-month high, at 0.9% y/y in December (Nov: +0.5% y/y), offering tentative signs of escalating prices and potentially a sign of broadening inflation. The rate of increase in food prices picked up to 3.2% y/y in December, spurred by supply shortages amid heavy rain and flooding in some parts of the country. Full year CPI averaged 2.5% in 2021 as largely expected. We maintain our view for CPI to ease to a more moderate level of 2.0% in 2022.

House View and Forecasts

| FX | This Week | 1Q-22 | 2Q-22 | 3Q-22 | 4Q-22 |
|---------|-----------|-------|-------|-------|-------|
| DXY | 94-96 | 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 | 0.72-0.73 | 0.72 | 0.72 | 0.74 | 0.75 |
| USD/JPY | 113-115 | 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 |

| Policy Rate % | Current | 1Q-22 | 2Q-22 | 3Q-22 | 4Q-22 |
|---------------|---------|--------|-----------|-----------|-----------|
| Fed | 0-0.25% | 0-0.25 | 0.25-0.50 | 0.50-0.75 | 0.75-1.00 |
| ECB | -0.50 | -0.50 | -0.50 | -0.50 | -0.50 |
| BOE | 0.25 | 0.25 | 0.50 | 0.50 | 0.75 |
| 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 |
|-------|--|----------|
| 24/01 | JP Jibun Bank Japan PMI Services (Jan P) | 52.1 |
| | JP Jibun Bank Japan PMI Mfg (Jan P) | 54.3 |
| | SI CPI YoY (Dec) | 3.8% |
| | MA Foreign Reserves (14 Jan) | \$116.9b |
| | EZ Markit Eurozone Manufacturing PMI (Jan P) | 58 |
| | EZ Markit Eurozone Services PMI (Jan P) | 53.1 |
| | UK Markit/CIPS UK Services PMI (Jan P) | 53.6 |
| | UK Markit UK PMI Manufacturing SA (Jan P) | 57.9 |
| | US Chicago Fed Nat Activity Index (Dec) | 0.37 |
| | US Markit US Manufacturing PMI (Jan P) | 57.7 |
| 25/01 | US Markit US Services PMI (Jan P) | 57.6 |
| | NZ Performance Services Index (Dec) | 46.5 |
| | AU CPI YoY (4Q) | 3.00% |
| | AU NAB Business Confidence (Dec) | 12.0 |
| | US FHFA House Price Index MoM (Nov) | 1.1% |
| | US S&P CoreLogic CS 20-City MoM SA (Nov) | 0.92% |
| | US Conf. Board Consumer Confidence (Jan) | 115.8 |
| | US Richmond Fed Manufact. Index (Jan) | 16.0 |

Source: Bloomberg

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