

24 March 2022

Global Markets Research

Daily Market Highlights

24-Mar: Lower equities; higher DXY and oil

US stocks fell amid uncertainties surrounding ongoing Russia-Ukraine war

Fed Mester echoed possibility of 50bps hike(s) to combat inflation

Dollar traded mixed against G10 currencies; oil rebounded

- US stocks ended lower on Wednesday, and oil prices continued to advance as the Ukraine conflict rages on. The Dow Jones, S&P 500 and NASDAQ eased 1.2% -1.3%. Earlier, European stocks eased slightly but most Asian markets were in positive territory with the Hang Seng Index marching up 1.2%. Investors continued to weigh further hawkish comments coming from Cleveland Fed President Mester, who said that the Fed needs to do "several" 50bps rate hikes this year to combat high inflation.
- US Treasuries saw the largest pull-back in yields seen since 4th March as benchmark yields ended lower between 7-12bps. USTs picked-up bids on further worries from the Ukraine war, especially after President Biden warned that Putin could resort to chemical and biological weapons. The benchmark 10Y UST fell 9bps to 2.29%.
- In the FX market, the USD traded mixed against the G10s. The USD weakened against the commodity currencies, NOK and CHF but strengthened against the GBP, JPY and EUR. This led the Dollar Index to close 0.1% higher at 98.62.
- USD/MYR continued its steady march upwards in Wednesday's session; hitting an intra-day high of 4.2240 before closing up 0.1% at 4.2235. The earlier comments from Fed Chair Powell on the possibility of seeing future rate increases of 50bps continued to boost the greenback not only against MYR but also against many EM currencies except for the KRW, PHP, IDR and HKD. MYR may face some headwinds near term amid risk-off sentiments and slower inflows into Malaysian equities.
- Gold futures rose 0.8% to \$1937.30/oz, reversing prior day's weakness as holdings in bullion-backed exchange-traded funds are seen at its peak in more than a year. Crude oil prices resumed its upward march supported by uncertainty amid the ongoing Russia-Ukraine war. Both WTI and Brent Crude rallied between 2.8-5.3% with the former closing at \$114.93/barrel while the later at \$121.60/barrel.

Weaker housing data in the US dented by higher mortgage rates

- The MBA mortgage applications index deepened its decline to 8.1% w/w in week ended 18th March (prior week: -1.2%). Purchases were down 1.5% after rising 0.7% in prior week while the refinancing index registered a bigger decline of 14.4% (prior -2.8%). 30-year rates continued to increase for a 2nd straight month to a 3-year high at 4.50%, from 3.36% a year ago.
- Sales of new homes unexpectedly fell 2.0% in February (Jan: -8.4% revised from -4.5%). This marked its 2nd consecutive month of decline indicating that rising

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	34,358.50	-1.29
S&P 500	4,456.24	-1.23
NASDAQ	13,922.60	-1.32
Stoxx 600	454.03	-1.01
FTSE 100	7,460.63	-0.22
Nikkei 225	28,040.16	3.00
Hang Seng	22,154.08	1.21
Straits Times	3,364.26	0.42
KLCI 30	1,597.88	0.76
FX		
Dollar Index	98.62	0.13
EUR/USD	1.1004	-0.23
GBP/USD	1.3205	-0.43
USD/JPY	121.15	0.29
AUD/USD	0.7499	0.39
USD/CNH	6.3890	0.20
USD/MYR	4.2235	0.15
USD/SGD	1.3579	0.10
Commodities		
WTI (\$/bbl)	114.93	2.84
Brent (\$/bbl)	121.60	5.30
Gold (\$/oz)	1,937.30	0.82

Source: Bloomberg, HLBB Global Markets Research

mortgage rates and elevated house prices may have put off prospective buyers in light of the Fed's policy tightening measures. Purchases of new single-family homes eased to an annualized pace of 772,000 (consensus: 810,000) following a downward revision to 788,000 in January.

Eurozone consumer confidence plunged in March

- Euro-area consumer confidence took a dive to its lowest level of -18.7 (Feb: -8.8) since the early onset of the pandemic as Russia's invasion of Ukraine pushed energy and commodity prices up and subsequently compound the already-high inflation. The ongoing war along the currency bloc's border has prompted fears that inflation will quicken further as economic expansion falters. The ECB is reputed to see price gains accelerating to 7.1%; with growth at a mere 2.3%.

UK CPI picked up more than expected to 6.2% y/y in February

- UK inflation exceeded forecasts with both y/y and m/m figures at 6.2% (Jan: +5.5%) and 0.8% (Jan: -0.1%). The rise of 6.2% corresponds to a 30-year high and slightly above consensus of 6.0% with goods prices, recreation, leisure goods, chemist goods and also purchase of motor vehicles being seen as the main contributors. These were followed by footwear and clothing costs.

Japan machine tool orders sees easier growth in February

- Japanese final machine tool orders rose 31.6% y/y in February, much slower compared to January's 61.3% increase, suggesting business spending could have softened. The categories that saw the highest rises include construction, electrical & precision along with electrical machinery.

Singapore CPI accelerated in February

- Singapore's February consumer prices accelerated to 4.3% y/y in February (Jan: +4.0%); setting the possible stage for further policy tightening by MAS come April. Nevertheless, core inflation cooled from 2.4% in January to 2.2% in the month under review. The transportation category saw the most prominent spike followed by healthcare costs.

House View and Forecasts

FX	This Week	1Q-22	2Q-22	3Q-22	4Q-22
DXY	97-99	96.15	96.40	96.30	96.30
EUR/USD	1.09-1.11	1.13	1.12	1.12	1.13
GBP/USD	1.30-1.33	1.34	1.33	1.35	1.36
AUD/USD	0.73-0.75	0.72	0.72	0.74	0.75
USD/JPY	119-122	115	116	115	114
USD/MYR	4.19-4.23	4.17	4.15	4.15	4.10
USD/SGD	1.35-1.37	1.35	1.34	1.34	1.33

Rates, %	Current	1Q-22	2Q-22	3Q-22	4Q-22
Fed	0.25-0.50	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	0.75	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
24/03	JP Jibun Bank Japan PMI Services (Mar P)	44.2
	JP Jibun Bank Japan PMI Mfg (Mar P)	52.7
	EZ Markit Eurozone Manufacturing PMI (Mar P)	58.2

25/3	EZ Markit Eurozone Services PMI (Mar P)	55.5
	UK Markit/CIPS UK Services PMI (Mar P)	60.5
	UK Markit UK PMI Manufacturing SA (Mar P)	58.0
	US Durable Goods Orders (Feb P)	1.6%
	US Initial Jobless Claims (19 Mar)	214k
	US Markit US Manufacturing PMI (Mar P)	57.3
	US Markit US Services PMI (Mar P)	56.5
	US Kansas City Fed Manf. Activity (Mar)	29.0
	UK GfK Consumer Confidence (Mar)	-26.0
	MA CPI YoY (Feb)	2.3%
	SG Industrial Production YoY (Feb)	2.0%
	UK Retail Sales Inc Auto Fuel MoM (Feb)	1.9%
	US Pending Home Sales MoM (Feb)	-5.7%
	US Uni Michigan consumer sentiments (Mar F)	59.7

Source: Bloomberg

Hong Leong Bank Berhad

Fixed Income & Economic Research, Global Markets

Level 8, Hong Leong Tower
6, Jalan Damansara
Bukit Damansara
50490 Kuala Lumpur
Tel: 603-2081 1221
Fax: 603-2081 8936

HLMarkets@hlbb.hongleong.com.my

DISCLAIMER

This report is for information purposes only and does not take into account the investment objectives, financial situation or particular needs of any particular recipient. The information contained herein does not constitute the provision of investment advice and is not intended as an offer or solicitation with respect to the purchase or sale of any of the financial instruments mentioned in this report and will not form the basis or a part of any contract or commitment whatsoever.

The information contained in this publication is derived from data obtained from sources believed by Hong Leong Bank Berhad ("HLBB") to be reliable and in good faith, but no warranties or guarantees, representations are made by HLBB with regard to the accuracy, completeness or suitability of the data. Any opinions expressed reflect the current judgment of the authors of the report and do not necessarily represent the opinion of HLBB or any of the companies within the Hong Leong Bank Group ("HLB Group"). The opinions reflected herein may change without notice and the opinions do not necessarily correspond to the opinions of HLBB. HLBB does not have an obligation to amend, modify or update this report or to otherwise notify a reader or recipient thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

HLB Group, their directors, employees and representatives do not have any responsibility or liability to any person or recipient (whether by reason of negligence, negligent misstatement or otherwise) arising from any statement, opinion or information, expressed or implied, arising out of, contained in or derived from or omission from the reports or matter.

Potential and actual conflict of interest may arise from the activities of HLB Group. HLB Group constitute a diversified financial services group. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, hedging transactions and other activities for their own account or the account of others. In the ordinary course of their business, HLB Group may effect transactions for their own account or for the account of their customers and hold long or short positions in the financial instruments. HLB Group, in connection with its business activities, may possess or acquire material information about the financial instruments. Such activities and information may involve or have an effect on the financial instruments. HLB Group have no obligation to disclose such information about the financial instruments or their activities.

The past performance of financial instruments is not indicative of future results. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Any projections or forecasts mentioned in this report may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information. No assurance can be given that any opinion described herein would yield favorable investment results. Recipients who are not market professional or institutional investor customer of HLBB should seek the advice of their independent financial advisor prior to taking any investment decision based on the recommendations in this report.

HLBB may provide hyperlinks to websites of entities mentioned in this report, however the inclusion of a link does not imply that HLBB endorses, recommends or approves any material on the linked page or accessible from it. Such linked websites are accessed entirely at your own risk. HLBB does not accept responsibility whatsoever for any such material, nor for consequences of its use.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. This report is for the use of the addressees only and may not be redistributed, reproduced or passed on to any other person or published, in part or in whole, for any purpose, without the prior, written consent of HLBB. The manner of distributing this report may be restricted by law or regulation in certain countries. Persons into whose possession this report may come are required to inform themselves about and to observe such restrictions. By accepting this report, a recipient hereof agrees to be bound by the foregoing limitations.