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

	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
25/3	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

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