

24 May 2022

## Global Markets Research

### Daily Market Highlights

# 24-May: Risk appetite returned to markets

## US stocks rallied overnight led by financial sector

## 10Y UST yield rose to 2.85%, halting a three-day losing streak

## The greenback slumped against all G10 currencies except JPY

- US stocks kicked off the new week with sharp gains, led by the financial sector after JP Morgan Chase revised its guidance on a key performance target and expected credit losses to remain low through 2023 as it said that the near-term credit outlook, especially for US consumers remains strong. The bank's shares advanced by over 6.0%. The S&P 500 rose 1.9%, driven further away from the bear market territory. The Dow Jones gained 618pts or nearly 2.0% while NASDAQ picked up 1.6%. Stocks were up in Europe earlier and closed on a mixed note in Asia.
- Treasuries fell as investors bought stocks. Yields rose 4-8bps and the curve steepened. The yield on the benchmark 10Y UST rose 7bps to 2.85%, putting a stop to a three-day falling streak.
- Gold climbed while the dollar weakened on Monday amid a broad return of risk appetite. The dollar index lost 1.0% to 102.08 as the USD weakened against all G10 currencies except the safe haven JPY. Gold futures rose 0.3% to \$1847.80/oz, marking its third successive daily gain.
- USD/MYR closed out Monday's session virtually unchanged at 4.3900. The further retreat in USD overnight may offer support to the local unit, shifting the pair back to 4.3700-4.3900 range given that the pair remained at an oversold level. Malaysia's CPI is on the deck this week and it is not expected to have any major influence on the pair.
- Crude oil prices saw mixed performances amid the lack of progress regarding the EU's proposal to ban Russian oil. Brent crude rose 0.8% to \$113.42/barrel while WTI shed 2.6% to \$110.29/barrel.

### US Chicago Fed National Activity Index points to April economic growth:

- The Chicago Fed National Activity Index rose to +0.47 in April, from the downwardly revised +0.36 in March, thus pointing to an acceleration in economic growth last month. Production, sales, personal consumption and housing related indicators drove the positive reading whereas the employment indicators weakened.

### German business sentiment improved in May:

- Germany's IFO business confidence improved in May despite the ongoing Ukraine-Russia war, high inflation and persistent supply chain issues. The IFO gauge for expectations was slightly higher at 86.9 (Apr: 86.8) while the current assessment index rose to 99.5 (Apr: 97.3). The IFO president said that the German economy showed its resilience and "there are currently no observable signs of a recession."

### Key Market Metrics

	Level	d/d (%)
<b>Equities</b>		
Dow Jones	31,880.24	1.98
S&P 500	3,973.75	1.86
NASDAQ	11,535.27	1.59
Stoxx 600	436.54	1.26
FTSE 100	7,513.44	1.67
Nikkei 225	27,001.52	0.98
Hang Seng	20,470.06	-1.19
Straits Times	3,213.65	-0.83
KLCI 30	1,542.53	-0.43
<b>FX</b>		
Dollar Index	102.08	-1.04
EUR/USD	1.0691	1.20
GBP/USD	1.2588	0.87
USD/JPY	127.90	0.02
AUD/USD	0.7109	0.98
USD/CNH	6.6617	-0.57
USD/MYR	4.3900	0.01
USD/SGD	1.3734	-0.51

### Commodities

WTI (\$/bbl)	110.29	-2.60
Brent (\$/bbl)	113.42	0.77
Gold (\$/oz)	1,847.80	0.31

Source: Bloomberg, HLBB Global Markets Research

### Hong Kong's inflation retreated in April:

- Hong Kong's CPI inflation unexpectedly eased to 1.3% y/y in April, missing the consensus forecast of 2.0% y/y and down from 1.7% y/y in March. The core inflation rate, which removed the impact of all government's one-off relief measures, also came in lower at 1.6% y/y (versus 1.7% prior). The government said that the increase in basic food prices saw some moderation thanks to the stabilisation in vegetable supply while the prices of take-out/dining out food rose amid the receding Covid outbreak. It said that prices of energy-related items still saw visible increases and added that price pressures are expected to remain intensive due to elevated inflation in many major economies. The overall inflation should stay moderate in the near term as the domestic cost pressures remain largely mild.

### Singapore's core CPI rate highest in over 10 years:

- Singapore's all-item CPI inflation stabilised at 5.4% y/y in April (Mar: +5.4%), lower than the consensus forecast of 5.6% y/y. This came as consumer prices dropped 0.1% on a month-on-month basis following a sharp 1.2% increase prior, as costs of housing & utilities fell alongside transport as well as miscellaneous goods and services. The MAS core CPI rate inched up to 3.3% y/y in April (Mar: +2.9%), missing the forecast of 3.4% but still at over-ten-year high as prices of key categories such as food and clothing picked up.

### Malaysia's foreign reserves was lower in mid-May:

- Malaysia's foreign reserves slipped to \$111.4b as at 13 May, from \$112.5b previously according to BNM. This is sufficient to finance 5.6 months of retained imports and is 1.1 times short-term external debt.

### House View and Forecasts

FX	This Week	2Q-22	3Q-22	4Q-22	1Q-23
DXY	101-104	106.00	108.00	105.00	103.00
EUR/USD	1.04-1.07	1.02	1.00	1.01	1.03
GBP/USD	1.22-1.26	1.21	1.20	1.22	1.24
AUD/USD	0.69-0.71	0.69	0.68	0.69	0.70
USD/JPY	126-130	133.00	135.00	133.00	132.00
USD/MYR	4.36-4.41	4.38	4.40	4.38	4.35
USD/SGD	1.37-1.39	1.39	1.40	1.38	1.37

Rates, %	Current	2Q-22	3Q-22	4Q-22	1Q-23
Fed	0.75-1.00	1.25-1.50	2.00-2.25	2.50-2.75	2.50-2.75
ECB	-0.50	-0.50	-0.50	-0.25	-0.25
BOE	1.00	1.25	1.25	1.25	1.25
RBA	0.35	0.50	0.75	1.00	1.25
BOJ	-0.10	-0.10	-0.10	-0.10	-0.10
BNM	2.00	2.00	2.50	2.50	2.75

Source: HLBB Global Markets Research

### Up Next

Date	Events	Prior
24/05	JP Jibun Bank Japan PMI Services (May P)	50.7
	JP Jibun Bank Japan PMI Mfg (May P)	53.5
	EZ S&P Global Eurozone Manufacturing PMI (May P)	55.5
	EZ S&P Global Eurozone Services PMI (May P)	57.7
	UK S&P Global/CIPS UK Manufacturing PMI (May P)	55.8
	UK S&P Global/CIPS UK Services PMI (May P)	58.9
	US S&P Global US Manufacturing PMI (May P)	59.2
	US S&P Global US Services PMI (May P)	55.6
	US Richmond Fed Manufact. Index (May)	14.0
	US New Home Sales MoM (Apr)	-8.6%
25/05	SG GDP YoY (1Q F)	3.4%

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NZ RBNZ Official Cash Rate (25 May)	1.5%
MA CPI YoY (Apr)	2.2%
US MBA Mortgage Applications (20 May)	--
US Durable Goods Orders (Apr P)	1.1%
US Cap Goods Orders Nondef Ex Air (Apr P)	1.3%

Source: Bloomberg

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