HongLeong Bank

24 June 2022

Global Markets Research

Daily Market Highlights

24-June: Recession talks boosted treasuries and USD

US stocks closed higher despite weaker PMI data

Treasury gained while USD strengthened on haven bids

Powell said "can't fail" on fighting inflation

- US stocks closed higher, rebounding from the modest losses in the previous session. The Dow Jones rose 0.6% while the S&P 500 picked up 1.0% and the NASDAQ rallied 1.6% despite weaker US data. Fed Chair Powell repeated the Fed's top priority of having to get inflation down even as the higher interest rates may slow the economy, during his testimony before the House Financial Services Committee. Earlier, equities had fallen in Europe but ended mixed in Asia.

- Global yields saw extended decline as weaker PMI data precipitated talks of recession. Treasury yields fell 4-8bps, led by the belly. The yield on the benchmark 2Y notes was down 4bps to 3.02% while the 10Y yield slipped 7bps to 3.09%.

- Safe haven currencies outperformed in the FX market. JPY was the best performing currency in the G10 basket, strengthening by 1.0%. CHF and the GBP were little changed whereas the rest of the G10 units depreciated against the USD. The dollar index rose 0.2% to 104.4, ending a two-day losing streak.

- MYR held steadily against the USD on Thursday, closing on a flat note at 4.4060. The ringgit still faces risk further weakening today as the broad dollar strength is expected to spill over into the Asian session, in line with our weekly outlook of a neutral to slightly bullish USD/MYR outlook.

- Gold futures fell 0.5% to $1825.70/oz amid stronger USD. Oil saw another session of selloff as traders mulled weaker outlook. Brent crude slipped 1.5% to $110.05/barrel while WTI settled 1.8% lower at $104.27/barrel.

Initial jobless claims stayed near 230k in US; PMI data weakened:

- Initial jobless claims fell slightly by 2k to 229k for the week ended 18 June (prior: 231k). First-time claims have now hovered near 230k for the past three weeks, offering an early signal that the US job market has indeed begun to slow as hiring demand softens alongside activity.
- PMI data in the US also added to evidence of a slowdown in the economy. The S&P Global Manufacturing PMI came in weaker at 52.4 in June (May: 57.0) according to a preliminary report while the services gauge ticked lower to 51.6 (May: 53.4).
- The Kansas City Fed Manufacturing Index fell sharply to 12 in June, from 23 in May, indicating a much softer rate of expansion in the region's manufacturing activity.

PMI data pointed to slower activity in major economies:

- Similarly, economic activity was seen weakening in both the Eurozone and the UK. The S&P Global Eurozone Manufacturing PMI fell to 52.0 in June (May: 54.6) alongside the weaker services PMI, which came in at 51.9 (May: 54.8).

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	30,677.36	0.64
S&P 500	3,795.73	0.95
NASDAQ	11,232.19	1.62
Stoxx Eur 600	402.40	-0.82
FTSE 100	7,020.45	-0.97
Nikkei 225	26,171.25	0.08
Hang Seng	21,273.87	1.26
Straits Times	3,092.80	-0.02
KLCI 30	1,431.05	0.00
FX		
Dollar Index	104.41	0.21
EUR/USD	1.0523	-0.41
GBP/USD	1.2260	-0.05
USD/JPY	134.95	-0.96
AUD/USD	0.6897	-0.43
USD/CNH	6.6995	-0.20
USD/MYR	4.4060	0.01
USD/SGD	1.3903	0.26
Commodities		
WTI ($/bbl)	104.27	-1.81
Brent ($/bbl)	110.05	-1.51
Gold ($/oz)	1,825.70	-0.47

Source: Bloomberg, HLBB Global Markets Research

- The UK manufacturing PMI edged lower to 53.4 (May: 54.6) while the services gauge was relatively resilient, staying unchanged at 53.4.
- Japan's manufacturing PMI slipped to 52.7 in June (May: 53.3) while the services PMI picked up to 54.2 (May: 52.6). The weaker pace of factory expansion reflects ongoing supply chain issues stemming from China while the positive services reading came after the Japanese international borders reopened in June.

UK consumer confidence level at record low:

- The UK GfK Consumer Confidence Index slipped to a record low of -41, from -40 previously, suggesting that the deteriorating consumer sentiment will soon weigh on household consumption. The survey showed consumers turning even more negative as they assessed their personal finance and economic situation for the next 12 months, in light of the UK's 9% inflation rate.

Japan's inflation steadied in May but above BOJ's target:

- Japan's headline CPI inflation stabilised at 2.5% y/y in May while the BOJ's preferred measure stayed above its 2% target for the second consecutive month. The CPI ex-fresh food (the BOJ's favoured inflation gauge) also came in unchanged at 2.1% y/y; the steady inflation readings as opposed to an acceleration of price pressure reinforce expectations that the BOJ will keep an accommodative policy stance.

Singapore's CPI inflation rose further in May:

- Singapore's headline CPI inflation accelerated to 5.6% y/y in May, beating the consensus forecast of 5.5% and up from 5.4% in April. The stronger-than-expected showing reflects price gain across nearly all goods and services. The core CPI rate, a preferred inflation gauge for the Monetary Authority of Singapore (MAS) which excludes private transport and accommodation, also quickened to 3.6% compared to a year ago (Apr: +3.3%). The MAS said that core inflation is expected to pick up further in the coming months before moderating towards the end of the year as some external inflationary pressures recede.

House View and Forecasts

FX	This Week	2Q-22	3Q-22	4Q-22	1Q-23
DXY	103-106	106.00	108.00	105.00	103.00
EUR/USD	1.03-1.06	1.02	1.00	1.01	1.03
GBP/USD	1.21-1.25	1.21	1.20	1.22	1.24
AUD/USD	0.69-0.71	0.69	0.68	0.69	0.70
USD/JPY	133-136	133.00	135.00	133.00	132.00
USD/MYR	4.38-4.43	4.38	4.40	4.38	4.35
USD/SGD	1.38-1.40	1.39	1.40	1.38	1.37

Rates, %	Current	2Q-22	3Q-22	4Q-22	1Q-23
Fed	1.50-1.75	1.50-1.75	2.50-2.75	3.00-3.25	3.00-3.25
ECB	-0.50	-0.50	0.00	0.50	0.50
BOE	1.25	1.25	2.00	2.00	2.00
RBA	0.85	0.85	1.60	1.60	1.60
BOJ	-0.10	-0.10	-0.10	-0.10	-0.10
BNM	2.00	2.00	2.50	2.75	2.75

Source: HLBB Global Markets Research

Up Next

Date	Events	Prior
24/06	MA CPI YoY (May)	2.3%
	SG Industrial Production YoY (May)	6.2%
	UK Retail Sales Inc Auto Fuel YoY (May)	-4.9%
	US U. of Mich. Sentiment (Jun F)	50.2
	US New Home Sales MoM (May)	-16.6%
27/06	CN Industrial Profits YoY (May)	-8.5%

Hong Leong Bank Berhad
Fixed Income & Economic Research, Global Markets
Level 8, Hong Leong Tower
6, Jalan Damanlela
Bukit Damansara
50490 Kuala Lumpur
Tel: 603-2081 1221
Fax: 603-2081 8936
HLMarkets@hlbb.hongleong.com.my

HK Exports YoY (May)	1.1%
US Durable Goods Orders (May P)	0.5%
US Cap Goods Orders Nondef Ex Air (May P)	0.4%
US Pending Home Sales MoM (May)	-3.9%
US Dallas Fed Manf. Activity (Jun)	-7.3

Source: Bloomberg