25 March 2022

Global Markets Research

Daily Market Highlights

25-Mar: Equities recovered; oil prices fell

US stocks rebounded on Thursday amid back-and-forth action for the week

Geopolitical uncertainties drove the USD and gold higher

Mixed PMIs reaffirmed uneven growth outlook across the globe

- US stocks ended higher on Thursday despite moving back and forth during the week. The Dow Jones, S&P 500 and NASDAQ advanced 1.0-1.9% whilst European stocks eased slightly save for the FTSE 100. Most Asian markets closed mixed whilst the Hang Seng Index fell 0.9%. Investors continued to weigh President Biden and his allies' proposed announcement regarding greater shipments of US natural gas to Europe on Friday, in a bid to reduce the continent's reliance on Russia.

- US Treasuries were under pressure, with the 2Y and 10Y yields at some of their highest levels of the year, as the US unveiled fresh sanctions against Russia and investors continued to assess remarks by Fed officials on the need to raise interest rates in a more aggressive manner. The benchmark 10Y UST climbed 8bps to 2.37%. The weaker UST performance was due to heightened concerns over inflation and the FOMC's hawkish stance.

- In the FX market, the USD ended mixed against G10 currencies on safe-haven bids with strength seen most against the JPY and GBP. JPY weakened 1.0% while GBP fell 0.1% against the greenback. The dollar index continued to climb 0.2% higher from 98.62 to 98.79 as at yesterday's close.

- There was no let-up in USD/MYR's upward march in Thursday's session; hitting an intra-day high of 4.2373 before narrowing gains to 4.2255 (+0.1% d/d). The MYR weakened as the greenback continued to regain its safe-haven currency appeal amid uncertainties surrounding the market. The hawkish stance from the Fed was another obvious factor that may diminish support for the MYR.

- Gold futures advanced further by 1.3% to $1962.20/oz, as investors weighed the impact of new US sanctions on Russia and the outlook for economic growth. Crude oil prices tumbled from its earlier upward trajectory as the White House and EU are seen close to a deal aimed at slashing the region's dependence on Russian energy exports on the back of the ongoing Russia-Ukraine war. Both WTI and Brent Crude fell between 2.1-2.3% with the former closing at $112.34/barrel while the later at $119.03/barrel.

US initial jobless claims fell to its lowest since 1969

- Applications for US unemployment claims dropped more than expected by 28k to 187k for the week ended 19-March (prior 215k revised) as employers clung onto workers amid near-record openings and muted labour participation. Continuing claims too fell to 1.35 million, the lowest since almost 52 years ago.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	34,707.94	1.02
S&P 500	4,520.16	1.43
NASDAQ	14,191.84	1.93
Stoxx 600	453.07	-0.21
FTSE 100	7,467.38	0.09
Nikkei 225	28,110.39	0.25
Hang Seng	21,945.95	-0.94
Straits Times	3,399.70	1.05
KLCI 30	1,598.97	0.07
FX		
Dollar Index	98.79	0.17
EUR/USD	1.0997	-0.06
GBP/USD	1.3187	-0.14
USD/JPY	122.35	0.99
AUD/USD	0.7513	0.19
USD/CNH	6.3832	-0.09
USD/MYR	4.2257	0.05
USD/SGD	1.3575	-0.03
Commodities		
WTI ($/bbl)	112.34	-2.25
Brent ($/bbl)	119.03	-2.11
Gold ($/oz)	1,962.20	1.29

Source: Bloomberg, HLBB Global Markets Research

Applications should stay low as the combination of dwindling savings and decades-high inflation are raising Americans' financial incentive to work.

US durable goods orders dropped more than expected in February

- US durable goods plunged more than expected by 2.2% m/m in February (Jan: +1.6%) mainly due to drop in civilian aircraft orders and automobiles which impacted transportation orders. Bookings were also soft in most major categories except for computers. Russia's invasion of Ukraine will continue to pose risks to both supply chain and demand going forward.

US manufacturing and services PMIs surprisingly picked up in March

- The higher US Markit Manufacturing PMI at 58.5 for March (Feb: 57.3) signalled manufacturers registered stronger upturns in activity, largely supported by pent-up demand and the easing of COVID-19 restrictions. Firms also noted that the less severe supply chain disruptions and job creation allowed firms to step-up production. Despite higher supplier price hikes, stronger client demand drove input buying up.
- The service sector growth also surprised on the upside with flash PMI coming in at 58.9 (versus forecast for a pullback to 56.0) from 56.5 in February. Greater activity was driven by marked increase in new business that was the sharpest since June 2021, as demand conditions strengthened.

US Kansas City Fed Manufacturing activity rose more than expected in March

- Manufacturing activity picked up more than expected to 37 in March (Feb: 29), the highest on record, according to the Federal Reserve Bank of Kansas City's latest survey of plant managers in 7 states surveyed. Vast improvements were seen in production, shipment and also delivery time. Increased activity was driven by growth in printing and paper, plastics, electrical equipment, furniture and related product manufacturing, and especially transportation equipment. Hence, the high growth and expectations for future activity remained solid.

Eurozone manufacturing & services PMI registered slower growth

- The manufacturing reading came in lower at 57.0 in March (Feb: 58.2), but still better than expectation for a retreat to 56.0. This was believed to be due to the intensification in the Ukraine crisis which exerted a drag on output, and the industry's reliance on commodities, prices for which have soared.
- Despite the services data similarly seeing a pullback to 54.8 (Feb: 55.5); this remains the 12th consecutive month of expansion. Whilst firms continued to benefit from resurgent demand due to further reopening of the economy from COVID-19 containment measures, the Ukraine war and accompanying sanctions had led to weakened demand, higher costs and renewed supply chain issues.

Lower manufacturing but higher services PMI in the UK

- UK flash manufacturing PMI fell more than expected from 58.0 in February to 55.5 in March; the lowest reading since February 2021. Manufacturing production increased at the weakest pace since October 2021, which survey respondents linked to ongoing supply shortages and greater caution among clients. Some firms also noted that escalating inflationary pressures had held back demand.
- Service sector activity however picked up a tad to 61.0 in March (Feb: 60.5), defying expectations for a pullback to 57.5 as the removal of COVID-19 restrictions helping to fuel the strongest growth since June 2021. There were reports that the return to offices and social events had boosted business activity in the services economy, alongside pent-up demand for travel, leisure

and entertainment.

Pleasant increase in Japan PMI manufacturing and services

- Jibun Bank Markit PMI flash factory activity for Japan showed a rise from 52.7 in February to 53.2 in March. This is the 14th consecutive month of expansion and reflects some degree of confidence in the economy following the lifting of the quasi-state of emergency as COVID-19 infections fell across Japan. Output returned to expansion territory, albeit only marginally; while buying activity accelerated. That said, new order was at its six month-low; while new export orders fell further linked to heightening uncertainties, including from the war in Ukraine.
- Meanwhile March flash services also rose from 44.2 in February to 48.7 in March; denoting the softest decline in services activity in the current 3-month sequence. New orders returned, as growth and employment grew further amid a smaller fall in backlogs of work. Both manufacturers and service-sector firms were still optimistic about business conditions in the coming 12 months.

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
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 U. of Mich. Sentiment (Mar F)	--
28/3	HK Exports YoY (Feb)	18.4%
	US Advance Goods Trade Balance (Feb)	-$107.6b
	US Dallas Fed Manufacturing Activity (Mar)	14

Source: Bloomberg

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

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.