

25 April 2022

Global Markets Research

Daily Market Highlights

25-Apr: USD strengthened against most currencies

US stocks were sold-off on weaker corporate earnings

MYR weakened to a 2-year low against the greenback

Easing energy demand outlook saw WTI and Brent oil pullback to \$102 and \$107 levels

- US stocks fell, marking a 3rd weekly decline affected by weaker-than-expected corporate results (such as Verizon Communications and American Express Co) coupled with heightened concerns over upcoming aggressive interest rate hikes. Both the Dow Jones and S&P fell 2.8% each with the tech-heavy NASDAQ equally pulling back 2.6%; resulting in the worst month-to-date performance since 2008. European stocks too closed lower overall while Asian markets such as Nikkei and Hang Seng posted losses of 1.6% and 0.2%.
- US treasuries closed mixed-to-stronger with yields nudging 1-5bps lower with the front-ends well supported. The UST 2Y yield ended at 2.67% whilst benchmark UST 10Y edged 1bps lower at 2.90%. The yield curve steepened back to ~20bps after Fed official Mester was reluctant to support 75bps rate hike moves whilst reiterating that she preferred front-loading by 50bps.
- In the FX market, the dollar flexed its muscle despite the retreat in UST yields, buoyed by ongoing hawkish sentiment. The dollar index rose 0.6% to 101.22, snapping above a 4-day range-bound trade within 100-101 levels as it strengthened against all G10 currencies. GBP, AUD and NZD saw the largest weakness whereas the Yen has tumbled to a 20-year low against the greenback as Governor Kuroda said that BOJ must apply more monetary stimulus given the subdued inflation.
- USD/MYR jumped further by 0.8% to 4.3250 as the ringgit plunged to a 2-year low whilst it also saw similar weakness against many Asian currencies. The firmer greenback is due to persistent Fed rate hike bets which has also resulted in a sell-off in EM assets; in tandem with higher USD/Asia pairs.
- Gold futures declined 0.7% to \$1931.00/oz, continuing the daily pullback seen for every day of the week; since having tested the \$2,000 level some time earlier. Expect the bullion to undergo further mild correction as the Fed looks toward raising interest rates at least by 50 bps in May. Oil prices eased with China's rigid COVID policy following recent outbreak and expectations for aggressive interest-rate increases by the Fed, dulling prospects for energy demand. Brent crude ended lower at \$106.65/barrel following a 1.6% loss while the US WTI declined 1.7% to \$102.07/barrel.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	33,811.40	-2.82
S&P 500	4,271.78	-2.77
NASDAQ	12,839.29	-2.55
Stoxx 600	453.31	-1.79
FTSE 100	7,521.68	-1.39
Nikkei 225	27,105.26	-1.63
Hang Seng	20,638.52	-0.21
Straits Times	3,361.11	0.38
KLCI 30	1,601.97	0.23
FX		
Dollar Index	101.22	0.64
EUR/USD	1.0790	-0.41
GBP/USD	1.2839	-1.47
USD/JPY	128.50	0.09
AUD/USD	0.7244	-1.76
USD/CNH	6.5262	0.70
USD/MYR	4.3250	0.84
USD/SGD	1.3711	0.54
Commodities		
WTI (\$/bbl)	102.07	-1.66
Brent (\$/bbl)	106.65	-1.55
Gold (\$/oz)	1,931.00	-0.71

Source: Bloomberg, HLBB Global Markets Research

US S&P Global manufacturing PMI jumped higher whilst Services PMI dropped

- The PMI manufacturing index rose to 59.7 in April from 58.8 in March as inventory of stock purchases rose versus prior month. Manufacturers indicated a stronger expansion in production on rising demand and new orders, especially supported by foreign client demand.

- On the contrary, the services index which retreated from 58.0 in March to 54.7 in April. Overall growth was dampened by pressure on consumer spending as prices continued to see a marked increase.

UK S&P Global/CIPS Manufacturing steadied; services PMI weakened

- Various UK reports that included services output for March fell, in a sign that the recovery maybe faltering with 2Q2022 starting on a weaker footing. Manufacturing index held its ground at 55.3 (Mar:55.2) despite weaker speed of recovery across the UK economy.
- Nevertheless, the Services Index saw a more severe pullback to 57.6 versus prior month's 60.9 as the pass-through of escalating costs offset the boost to consumer spending from the earlier ending of COVID-19 restrictions.

Eurozone S&P Global manufacturing PMI fell; services index remains strong

- The Services Index which rose to 57.7 in April (Mar: 55.6) helped compensate for a near-stalling of manufacturing output as it benefitted from looser COVID-19 restrictions. Hiring too picked up but expect confidence to be subdued going forwards due to Ukraine war and rising prices.

UK retail sales surprised on the downside by -1.4% m/m and +0.9% y/y

- Retails sales (inc. auto fuel) fell in March largely dragged by non-store retailing in which sales volumes fell by 7.9% over the month. Automotive fuel sales volumes too dropped by 3.8% in March, indicating that some non-essential road travel had been reduced following record high petrol and diesel prices.

Hong Kong CPI quickened less than expected in March

- Hong Kong's annual inflation rate hit 1.7% in March 2022, quickening from 1.6% in February, but missing market expectations of 1.8%. The high inflation rate since December 2021 was mainly due to steeper increases in prices of basic food, in particular vegetables. This was followed by transport costs followed by clothing and footwear.

Jibun Bank PMI manufacturing softened; services index rebounded

- The services companies recorded an expansion in activity at 50.5 compared to prior month's 49.4; whilst cost pressures were sustained and remained more acute at manufacturers as the index slumped from 54.1 to 53.4 in April. Nevertheless, manufacturers still recorded an expansion in output levels for the 6th time in 7 months; albeit at a softer rate in April.

Malaysia CPI saw modest headline CPI; core CPI picked up in March

- Malaysia's headline CPI stabilized at 2.2% y/y in March as acceleration in food inflation and higher uptick in utility pricing was partly offset by smaller increase in transport prices. Core CPI and services CPI however increased to 2.0% and 1.6% y/y respectively pointing to some build-up in price pressures. We maintain our full year CPI forecast of 2.7% in 2022 (YTD March: +2.2%).

FX	This Week	2Q-22	3Q-22	4Q-22	1Q-23
DXY	99-101.50	98.5	99.0	98.0	97.5
EUR/USD	1.07-1.09	1.10	1.09	1.10	1.12
GBP/USD	1.26-1.32	1.29	1.28	1.30	1.31
AUD/USD	0.70-0.75	0.76	0.77	0.76	0.76
USD/JPY	126-130	121	120	120	120
USD/MYR	4.28-4.35	4.20	4.18	4.16	4.16
USD/SGD	1.35-1.38	1.36	1.35	1.34	1.33

Rates, %	Current	2Q-22	3Q-22	4Q-22	1Q-23
Fed	0.25-0.50	1.25-1.50	1.75-2.00	2.00-2.25	2.00-2.25
ECB	-0.50	-0.50	-0.50	-0.25	-0.25
BOE	0.75	1.25	1.25	1.25	1.25

RBA	0.10	0.10	0.75	1.00	1.25
BOJ	-0.10	-0.10	-0.10	-0.10	-0.10
BNM	1.75	1.75	2.00	2.00	2.25

Source: HLBB Global Markets Research

Up Next

Date	Events	Prior
25/04	SG CPI YoY (Mar)	4.3%
	MA Foreign Reserves (15 Apr)	\$115.6b
	US Chicago Fed Nat Activity Index (Mar)	0.51
	US Dallas Fed Manf. Activity (Apr)	8.7
	JP Job-To-Applicant Ratio (Mar)	1.21
26/04	JP Jobless Rate (Mar)	2.7%
	SG Industrial Production YoY (Mar)	17.6%
	US Durable Goods Orders (Mar P)	-2.1%
	US Cap Goods Orders Nondef Ex Air (Mar P)	-0.2%
	US FHFA House Price Index MoM (Feb)	1.6%
	US S&P CoreLogic CS 20-City YoY NSA (Feb)	19.1%
	US Conf. Board Consumer Confidence (Apr)	107.2
	US Richmond Fed Manufact. Index (Apr)	13.0
	US New Home Sales MoM (Mar)	-2.0%

Source: Bloomberg

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