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Global Markets Research
Daily Market Highlights

25-May: Weaker PMI data triggered recession fear

US tech stocks slumped as Snap Inc gave profit warning

Benchmark 10Y UST yield fell 10bps to 2.75%

Safe haven currencies rallied as market mood turned sour

- US treasuries rose overnight as investors flocked to safe assets amid a selloff in US tech stocks. The S&P 500 fell 0.8% and tech-heavy NASDAQ slumped 2.4% as social media company Snap Inc's profit warning triggered a flight from the tech sectors. Shares of Snap Inc itself tumbled by a whopping 43% in a single session, reflecting worries on the impact of higher interest rates on growth companies. The Dow Jones managed to post 0.2% increase. Stock markets were down in Europe and Asia earlier as recession fear heightened.
- The yield on the benchmark 10Y UST retreated by 10bps to 2.75%. Yields fell 9-14bps and the curve steepened further in the wake of the tech selloff as well as the weaker US PMI and housing data. Fed Chair Powell acknowledged in a speech that high inflation and the overseas' economic weakness could hinder the Fed's effort to avoid a recession.
- In the FX market, the dollar saw mixed performances against its G10 peers. The dollar index fell 0.2% to 101.86. JPY and CHF topped the G10 basket in terms of daily gains thanks to their safe haven appeals. JPY gained 0.8% to its strongest in six weeks, at 126.83 alongside a higher CHF and EUR. GBP and CAD weakened against the greenback.
- USD/MYR advanced by 0.2% to 4.3965 on Tuesday. The renewed risk-off sentiment is likely to keep the pair supported above 4.3900 as recession talks dominate the markets.
- Gold rallied for the fourth consecutive session overnight, adding nearly 1% to \$1865.40/oz. The US oil benchmark fell for the second session to \$109.77/barrel (-0.5%) after the US government offered 40.1 million barrels of crude for sales as part of its March-announced Strategic Petroleum Reserve (SPR) release. Brent crude rose 0.1% to \$113.56/barrel, marking its fourth daily gain.

US reported weak economic data:

- S&P Global reported the latest flash Markit PMIs for the US and both services and manufacturing sectors recorded weaker readings. The manufacturing gauge fell to 57.5 in May (Apr: 59.2) while services dropped to 53.5 (Apr: 55.6), signally softer upturns in output amid elevated inflationary pressures.
- The Richmond Fed Manufacturing Index unexpectedly turned negative at -9 in May (Apr: 14), the latest regional manufacturing PMI to print a weak showing, after the NY and Philly Feds' respective factory gauge disappointed last week.
- Adding to the woes was the 16.6% m/m decline in the US April new home sales and the downward revision to March number to -10.5% m/m, proving that higher mortgage rate and house prices further dampened housing demand.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	31,928.62	0.15
S&P 500	3,941.48	-0.81
NASDAQ	11,264.45	-2.35
Stoxx 600	431.58	-1.14
FTSE 100	7,484.35	-0.39
Nikkei 225	26,748.14	-0.94
Hang Seng	20,112.10	-1.75
Straits Times	3,195.04	-0.58
KLCI 30	1,531.30	-0.73
FX		
Dollar Index	101.86	-0.21
EUR/USD	1.0736	0.42
GBP/USD	1.2532	-0.44
USD/JPY	126.83	-0.84
AUD/USD	0.7106	-0.04
USD/CNH	6.6574	-0.06
USD/MYR	4.3965	0.15
USD/SGD	1.3719	-0.11

Commodities

WTI (\$/bbl)	109.77	-0.47
Brent (\$/bbl)	113.56	0.12
Gold (\$/oz)	1,865.40	0.95

Source: Bloomberg, HLBB Global Markets Research

PMIs weakened in Eurozone & UK, improved in Japan:

- Similar to their US counterpart, the Eurozone and UK both reported weaker PMI readings in May, again reflecting the adverse impact of inflation and Ukraine war-related uncertainties on economic activity. The Eurozone's manufacturing PMI fell to 54.7 (Apr: 55.5) and the services PMI slipped to 56.3 (Apr: 57.7).
- The UK manufacturing PMI came in lower at 54.6 (Apr: 55.8) while the services PMI recorded a steep decline to 51.8 (Apr: 58.9).
- Japan's PMI readings showed small improvement in May as the manufacturing PMI rose to 51.4 (Apr: 51.1) and services PMI picked up to 51.7 (Apr: 50.7). The lifting of Covid restrictions continued to benefit the services industry, particularly in the tourism sector. Businesses in general continued to face the supply chain constraints resulting from China's lockdowns as well as sanctions on Russia.

Singapore 1Q GDP expanded by 3.7% y/y; faster than the initial estimate:

- The Singapore economy expanded at a faster than initially estimated pace of 3.7% y/y in 1Q22 as expected (initial estimate +3.4%), but still marked a moderation from the 6.1% y/y increase in 4Q21. On a quarter-on-quarter basis, the Singapore economy increased slightly less than expected by 0.7% q/q (4Q21: +2.3% q/q). All key sectors continued to expand albeit at softer pace. The manufacturing sector grew 7.1% in 1Q22, slowing from the 15.5% y/y increase in 4Q21. Growth in the services and construction industries also moderated to 4.2% and 2.1% y/y respectively (4Q: +4.4%; +2.9% y/y). The Ministry of Trade and Industry (MTI) mentioned that full year growth forecast will likely come in at the lower end of its forecast range of 3.0-5.0% for this year, acknowledging weaknesses in export-oriented sectors due to uncertainties in global outlook.

House View and Forecasts

FX	This Week	2Q-22	3Q-22	4Q-22	1Q-23
DX	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
25/05	NZ RBNZ Official Cash Rate (25 May)	1.5%
	MA CPI YoY (Apr)	2.2%
	US MBA Mortgage Applications (20 May)	-11.0%
	US Durable Goods Orders (Apr P)	1.1%
26/05	US FOMC Meeting Minutes (04 May)	--
	SG Industrial Production YoY (Apr)	3.4%
	HK Exports YoY (Apr)	-8.9%
	US GDP Annualized QoQ (1Q S)	-1.4%
	US Initial Jobless Claims (21 May)	218k
	US Pending Home Sales MoM (Apr)	-1.2%
	US Kansas City Fed Manf. Activity (May)	25.0

Source: Bloomberg

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