25 October 2022

Global Markets Research

Daily Market Highlights

25 Oct: US Stocks notched second day of gains

Investors look to tech stocks earnings, ECB and BOJ policy meets this week

Hang Seng and CSI 300 plunged on a stark rebuke to President Xi

China's delayed released of 3Q GDP growth beat forecast at 3.9%

- The three major US stock indices closed higher d/d as traders tried to add to sharp gains seen last week and weighed the latest moves in rates. The Dow Jones Industrial Average added 1.3% d/d, the S&P 500 gained about 1.2% while the Nasdaq Composite advanced nearly 0.9% d/d. Investors will watch for earnings from Big Tech names. Results for Alphabet and Microsoft are out Tuesday. Apple and Amazon are due Thursday. Hong Kong stocks and mainland China markets, on the other hand, fell sharply on Monday a stark rebuke of President XI Jinping's move to stack his leadership ranks with loyalists. Hang Seng plunged 6.4% d/d while CSI 300 spiralled down 2.9% d/d.

- US Treasuries cheapened, and relinquished overnight gains given the pick-up in risk appetite and ahead of the auction. The 10-year Treasury yield ticked higher by 2bps, trading at 4.24%, while the 2-year yield added 3bps to 4.51%.

- The Dollar Index, meanwhile, were largely unchanged at 111.99. The British pound fell 0.2% d/d against USD after it was announced that Rishi Sunak would be the new U.K. prime minister. Over in Asia, the Japanese yen renewed its depreciation despite intervention. JPY weakened 0.9% d/d to 148.91. The ringgit, on the other hand, continued to slide against the dollar, breaching the all-time low that was recorded during the Asian Financial Crisis in 1998 on Friday. Ringgit closed 0.2% weaker against the USD at 4.7387 on Friday.

- Commodity prices were in the red. Oil were lower in as data showing demand from China remained lackluster in September and a strong U.S. dollar weighed, while weakening U.S. business activity data eased expectations for more aggressive interest rate hikes and limited price decline. The prices for the West Texas Intermediate and the Brent edged down marginally by 0.6% d/d and 0.3% d/d to $84.58/barrel and $93.26/barrel respectively. Gold prices were also down 0.1% d/d

US Chicago Fed flat, S&P PMI Composite declined to 47.3

- The Chicago Fed National Activity Index (CFNAI) was unchanged at +0.10 in September. Two of the four broad categories of indicators used to construct the index made positive contributions in September, but two categories deteriorated from August. The index's three-month moving average, nevertheless, moved up to +0.17 in September from +0.04 in August.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	31,499.62	1.34
S&P 500	3,797.34	1.19
NASDAQ	10,952.61	0.86
Stoxx Eur 600	401.84	1.40
FTSE 100	7,013.99	0.64
Nikkei 225	26,974.90	0.31
Hang Seng	15,180.69	-6.36
Straits Times	2,969.95	-1.75
KLCI 30	1,446.42	0.61
FX		
Dollar Index	111.99	-0.02
EUR/USD	0.9874	0.12
GBP/USD	1.1278	-0.22
USD/JPY	148.91	0.85
AUD/USD	0.6312	-1.05
USD/CNH	7.3264	1.33
USD/MYR	4.7387	0.23
USD/SGD	1.4224	0.51
Commodities		
WTI ($/bbl)	84.58	-0.55
Brent ($/bbl)	93.26	-0.26
Gold ($/oz)	1,648.70	-0.14
Copper ($$/MT)	7,556.00	-0.89
Aluminum($/MT)	2,175.00	-1.41
CPO (RM/tonne)	3,992.50	-0.09

Source: Bloomberg, HLBB Global Markets Research

- The S&P headline Flash US PMI Composite Output Index, on the other hand, declined to 47.3 in October (September: 49.5). With the exception of the initial pandemic period, the rate of decrease was the second-fastest since 2009. The Services Business Activity Index stood at 46.6 in October, down from 49.3 in September, to indicate a solid decline in service sector output. The Manufacturing PMI, meanwhile, turned negative at 49.9, down from 52.0 in September. While output in manufacturing remains more resilient for now, October saw a steep drop in demand for goods, meaning current output is only being maintained by firms eating into backlogs of previously placed orders. Clearly this is unsustainable absent of a revival in demand, and it's no surprise to see firms cutting back sharply on their input buying to prepare for lower output in coming months.

Euro consumer confidence picked up to -29, Composite output fell to 47.1

- The bloc of 19 countries, which ran a current account surplus for years before Russia's war in Ukraine, recorded an adjusted deficit of €26.3bn in August after a €19.9 bn deficit a month earlier. The deficit in goods were the main contributor as Russia-Ukraine conflict pushed up its import bill for raw materials.
- In October, flash estimate of consumer confidence indicator picked up by 0.6 points in the EU and 1.2 points in the euro area to -29.0 and -27.6 respectively, Consumer confidence remains very close to the record low it hit in September.
- The flash S&P Global Eurozone PMI Composite Output Index fell to 47.1 in October, lowest since April 2013. Manufacturing led the downturn at 46.6, with factory output declining for a fifth month running and slumping at a rate not seen prior to the pandemic since July 2012. Service sector output also fell for a third consecutive month, contracting to a degree not witnessed outside of pandemic lockdowns since May 2013 at 48.2. Any growth was confined to technology, industrial services and pharmaceuticals & biotech firms. Some of the steepest downturns were seen in the chemical & plastics and basic resource sectors, often reflecting high energy dependencies.

UK retail sales and Composite PMI fell, consumer confidence up

- Retail sales volumes fell by 1.4%m/m in September, making them 1.3% below pre-COVID February 2020 levels. While retailers continue to mention the effect of rising prices and the cost of living on sales volumes, sales were also affected by the bank holiday for the State Funeral of Her Majesty Queen Elizabeth II. Food store sales volumes fell by 1.8% m/m while automotive fuel sales volumes fell by 1.3% m/m.
- GfK Consumer Confidence Index increased 2 points in October to -47. Three measures were up, one was flat and one decreased m/m. More specifically, the forecast for personal finances over the next 12 months increased 6 points to -34 but is 35 points lower y/y. Expectations for the general economic situation over the coming 12 months improved by 7 points to -61, although this is still 35 points lower y/y. The Major Purchase Index fell 3 points m/m to -41, while the Savings Index is up 2 points m/m to +13. This is 9 points lower y/y.
- October's flash UK PMI Composite Output data showed the pace of economic decline gathering momentum after the recent political and financial market upheavals. The index fell to its 21-month low of 47.2, with Services PMI Business Activity Index at 47.5 and Manufacturing PMI at 45.8. The heightened political and economic uncertainty has caused business

activity to fall at a rate not seen since the global financial crisis in 2009 if pandemic lockdown months are excluded. GDP therefore looks certain to fall in 4Q after a likely 3Q contraction, meaning the UK is in recession.

Japan inflation hit 3%

- Japan's inflation hit 3.0% for the first time in over 3 decades in September. Core prices, which exclude fresh food, also rose 3.0% y/y, matching consensus estimate and highest since 1991. While energy remained the biggest contributor to inflation, gains in processed food and household durable goods were accelerated inflation for the month.
- At Flash Composite Output Index, October: 51.7 (September Final: 51.0), Flash Services Business Activity Index at 53.0 (September Final: 52.2) and Flash Manufacturing Output Index at 48.7 (September Final: 48.3), latest flash PMI data pointed to a further improvement in Japan's private sector economy in October as the recent easing in international border restrictions and the launching of the Nationwide Travel Discount Programme boosted activity levels and order book volumes. The manufacturing sector, however, continued to struggle in the face of weak demand conditions and severe cost pressures.

China growth beat expectations at +3.9% y/y

- In 3Q 2022, China's GDP grew at a faster pace of 3.9% y/y, beating expectations of +3.3% y/y but a rebound from a flattish growth of 0.4% y/y in 2Q when Shanghai was still in a lockdown. The monthly indicators, meanwhile, pointed to mixed economic picture in September. Growth in retail sales grew a mere 2.5% y/y, halving from +5.4% y/y in August and below consensus estimate's 3.0% y/y as sales were seen slower in most segments with the exception of automobile. Unemployment also edged up slightly by 0.2ppts m/m to 5.5% in September. Export growth slowed to +5.7% y/y in September from +7.1% y/y in August. Home prices, meanwhile, fell 0.3% m/m and 2.3% y/y while residential property sales plunged 28.6% YTD. On the other hand, industrial production rose by 6.3% y/y, well above the +4.8% y/y consensus estimate. Fixed asset investment rose by 5.9% y/y for the Jan-Sept period, mainly in line with expectations.

Hong Kong Inflation hit highest since 2015 at +4.4% y/y

- Hong Kong's consumer prices jumped in September to 4.4% y/y, the highest in seven years. This is above consensus estimate's +4.1% y/y and more than doubled August's +1.9% y/y. Price of food, clothing and energy-related items rose, but price pressures for other major areas were broadly in check. Going forward, import prices will continue to rise, but mild domestic cost pressures should keep overall inflation moderate in the near term.

Australia's PMI contracted for the first time in 9 months

- The S&P Global Flash Australia Composite Output Index fell from 50.9 in September (final reading) to 49.6 in October. This signalled that the private sector shrank for the first time in nine months. Both demand and output declined for the month, while the level of work outstanding simultaneously eased. The labour market remained tight, however, as firms continued to hire at a solid pace. Meanwhile price pressures persisted, in part contributing to lower private sector confidence in October.

New Zealand trade narrowed as exports outpaced imports

- New Zealand's trade deficit narrowed to NZ$1.6bn in September from a revised -NZ$2.6bn the prior month. Exports turned around to grow by

13.8% m/m (August -16.5% m/m) and 37.1% y/y (August: 21.3% y/y), outpacing the decline in imports at -3.5% m/m and +16.4% y/y. Stronger export growth was recorded in shipment to China (+31.2% y/y), Japan (+41.8% y/y) and Australia (+32.6% y/y).

Vietnam raised policy rates by 100bps

- Vietnam's central bank said it would raise its policy rates by 100bps, the second increase in a month, in a move to head off inflation risks, maintain stability and protect its banking system. Effective Tuesday, the refinancing rate will be increased to 6.0% and the discount rate to 4.5%, the State Bank of Vietnam (SBV) said in a statement. The central bank said global inflation remains high and the U.S. Federal Reserve had raised its rates five times recently, with more hikes expected this year and in 2023. This, coupled with the strengthening of the dollar, has put pressure on domestic interest rates and exchange rate, The SBV said it would closely monitor local and overseas markets to timely manage measures and monetary tools. It said it was willing to intervene in monetary and foreign currency markets to meet financial institutions' liquidity needs. The SBV said it would also raise the cap on dong deposit rates at commercial banks by 50bps to 100bps depending on maturities.

Malaysia inflation rate eased to +4.5% y/y, reserves fell to US$104.5bn

- Malaysia's inflation rate eased slightly to +4.5% y/y in September as food prices increased at a slower rate. This is compared to August’s +4.7% y/y and is below consensus estimate’s +4.6% y/y. On a m/m basis, inflation moderated to 0.1% (August: +0.2% m/m). Food inflation increased at a slower rate of 6.8% y/y (August+7.2% y/y), while housing, water, electricity, gas and other fuels inflation also grew at a slower pace of +4.0% y/y. Core CPI, which excludes volatile items like fresh food as well as administered prices of goods by the government, however, increased at a faster y-o-y pace at 4.0% y/y.
- Malaysia’s foreign reserves fell by US$1.6bn from a fortnight before to US$104.5bn as at 14 October. The reserves position is sufficient to finance 5.5 months of imports and is 1.1 times of the total short-term external debt.

House View and Forecasts

FX	This Week	4Q-22	1Q-23	2Q-23	3Q-23
DXY	111-115	115.00	112.70	110.45	110.00
EUR/USD	0.96-0.99	0.95	0.97	0.98	0.98
GBP/USD	1.10-1.15	1.10	1.10	1.11	1.12
USD/JPY	148-153	147.00	146.00	145.00	144.00
AUD/USD	0.61-0.64	0.62	0.63	0.64	0.64
USD/MYR	4.70-4.75	4.68	4.64	4.62	4.60
USD/SGD	1.42-1.44	1.45	1.44	1.42	1.40

Rates, %	Current	4Q-22	1Q-23	2Q-23	3Q-23
Fed	3.00-3.25	4.25-4.50	4.25-4.50	4.25-4.50	4.25-4.50
ECB	1.25	2.75	2.75	2.75	2.75
BOE	2.25	3.25	3.25	3.25	3.25
BOJ	-0.10	-0.10	-0.10	-0.10	-0.10
RBA	2.60	3.10	3.10	3.10	3.10
BNM	2.50	2.75	3.00	3.00	3.00

Source: HLBB Global Markets Research

Up Next

Date	Events	Prior
25-Oct	SI CPI YoY (Sep)	7.50%
	JN Nationwide Dept Sales YoY (Sep)	26.10%
	JN Machine Tool Orders YoY (Sep F)	4.3%
	HK Exports YoY (Sep)	-14.30%
	US FHFA House Price Index MoM (Aug)	-0.60%
	US S&P CoreLogic CS US HPI YoY NSA (Aug)	15.77%
	US Conf. Board Consumer Confidence (Oct)	108
	US Richmond Fed Manufact. Index (Oct)	0
25-31 Oct	VN CPI YoY (Oct)	3.94%
	VN Industrial Production YoY (Oct)	13.00%
	VN Exports YoY (Oct)	10.30%
	VN Imports YoY (Oct)	6.40%
	VN Trade Balance (Oct)	$1140m
	VN Retail Sales YoY (Oct)	36.10%
26 Oct	JN PPI Services YoY (Sep)	1.90%
	NZ ANZ Activity Outlook (Oct)	-1.8
	NZ ANZ Business Confidence (Oct)	-36.7
	AU CPI YoY (3Q)	6.1%
	SI Industrial Production YoY (Sep)	0.50%
	JN Leading Index CI (Aug F)	100.9
	JN Coincident Index (Aug F)	101.7
	US MBA Mortgage Applications (21-Oct)	-4.5%
	US Advance Goods Trade Balance (Sep)	-$87.3b
	US Wholesale Inventories MoM (Sep P)	1.30%
	US Retail Inventories MoM (Sep)	1.40%
	US New Home Sales (Sep)	685k
	US New Home Sales MoM (Sep)	28.80%

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

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