26 January 2022

Global Markets Research

Daily Market Highlights

26-Jan: Selloff deepened in volatile stock trading

US equities closed lower after choppy trading session
Dollar traded mixed against major currencies; yields flat
MAS pre-emptively tightened policy; SGD strengthened

- US equities closed lower overnight as volatile trading continued this week before the Federal Reserve commences their two-day meeting today. NASDAQ suffered the steepest decline of 2.3% among the main benchmarks as the tech selloff deepened; the S&P 500 fell 1.2% while Dow Jones ticked modestly lower by 0.2% at the end of a choppy session.

- Treasuries yields were little changed as the market stabilised ahead of the FOMC meeting. The yield on the benchmark 10Y UST remained flat at 1.77%.

- The dollar strength faded as the USD recorded mixed performance against the G10 basket. The CHF was the major loser amid extended reversal from the recent haven bid. The dollar index was little changed (+0.03%) at 95.95. Among the Asian currencies, SGD appreciated 0.2% after the MAS pre-emptively tightened policy to combat surging inflation.

- USD/MYR saw another muted trading session, closing at 4.1900 (+0.03%). We are neutral on USD/MYR this week, eyeing a range of 4.17-4.20 but highlight that any surprised policy guidance from the FOMC meeting could be a swing factor.

- Gold futures advanced further by 0.6% to $1852.5/oz. Crude oil prices rebounded over the supply concerns stemming from the Russia-Ukraine tensions. WTI regained 2.8% to $85.6/barrel while Brent climbed 2.2% to $88.20/barrel.

US consumer confidence slipped in January:

- The Conference Board Consumer Confidence Index fell for the first time in four months, reflecting consumers' wavering sentiment over their income outlook. The headline index fell 1.4pts to 113.8 in January (Dec: 115.2), reflecting the 4.6-pt decline in the expectations index that indicates weakening of short-term growth prospects.
- This was partially offset by the 3.4-pt increase in the present situation gauge which points to a solid start to the new year and relatively resilient confidence despite the raging Omicron outbreak in the US.

House prices climbed in November:

- Home prices climbed further in November, indicating that housing demand remained solid in the final months of 2021. This is evident in the 1.1% m/m increase in the FHFA House Price Index as well as the 1.2% m/m increase in the S&P CoreLogic CaseShiller 20-City Index. On a y/y basis, home prices in 20 US cities rose 18.3% (Oct: +18.5%) while the nationwide home prices were also 18.8% higher compared to the same month last year (Oct: +19.0%).
- On a separate note, the US Richmond Fed Manufacturing Index slipped to 8.0 in January, down from 16.0 prior as the supply chain challenge and labour shortages

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	34,297.73	-0.19
S&P 500	4,356.45	-1.22
NASDAQ	13,539.29	-2.28
Stoxx 600	459.59	0.71
FTSE 100	7,371.46	1.02
Nikkei 225	27,131.34	-1.66
Hang Seng	24,243.61	-1.67
Straits Times	3,247.76	-1.08
KLCI 30	1,508.91	-0.85
FX		
Dollar Index	95.95	0.03
EUR/USD	1.1301	-0.22
GBP/USD	1.3501	0.10
USD/JPY	113.88	-0.06
AUD/USD	0.7151	0.08
USD/CNH	6.3311	-0.04
USD/MYR	4.1902	0.03
USD/SGD	1.3443	-0.16
Commodities		
WTI ($/bbl)	85.60	2.75
Brent ($/bbl)	88.20	2.24
Gold ($/oz)	1,852.50	0.59

Source: Bloomberg, HLBB Global Markets Research plagued the manufacturing sector. The 50% decline reflects weaker new orders, longer lead time as well as a plunge in the "number of employees" indicator.

MAS tightened policy pre-emptively after heated inflation data:

- The Monetary Authority of Singapore yesterday said that it would raise slightly the rate of appreciation of the S$NEER policy band in a rare but not unusual unscheduled announcement. The MAS has two policy meetings every year, in April and October. This followed after Singapore reported a 4.0% y/y CPI rate for December 2021, its sharpest gain since Feb-2013. The MAS core CPI also accelerated to 2.1% y/y, from 1.6%.
- MAS said that a pre-emptive adjustment in its policy stance is appropriate given that the outlook for inflation has shifted higher since the last policy meeting in October 2021. The MAS, during that meeting, had shifted to a gradual appreciation path for the S$NEER policy band, from zero percent previously.
- MAS revised its core CPI forecast to 2.0-3.0%, from 1.0-2.0% previously. The headline CPI is expected to rise 2.5-3.5%, versus previous forecasts of 1.5-2.5%. Inflation in 2022 will be boosted by recovering demand and supply side frictions and it sees pandemic-related and geopolitical shocks on the global supply chain adding upside risks to its forecasts.

Australia's inflation surged in 4Q:

- Australia's headline consumer price index rose more than expected in the fourth quarter of 2021, driven by supply chain challenges towards the year end. CPI rose 1.3% q/q (3Q: +0.8%), driving the y/y rate to 3.5% (3Q: +3.0%), its steepest gain in more than ten years. This reflects sharper gain in food/beverages prices, housing, transportation, insurance & financial services and a smaller decline in prices of clothing & footwear. Notably, the trimmed mean CPI, a gauge of core inflation, climbed 2.6% y/y in the same quarter (3Q: +2.1%), exceeding the RBA's 2-3% midpoint target for the first time since Jun-2014.
- In a separate note, the NAB Business Confidence Index turned negative in December, from +12 to a 19-month low of -12. The survey reported softening business conditions (+8 vs +11 prior) as well as weakening labour market, forward orders, exports as well as exports sales. The growing labour shortage against a backdrop of surging inflation complicates the outlook for the RBA's policy path.

House View and Forecasts

FX	This Week	1Q-22	2Q-22	3Q-22	4Q-22
DXY	94-96	96.15	96.40	96.30	96.30
EUR/USD	1.13-1.15	1.13	1.12	1.12	1.13
GBP/USD	1.35-1.37	1.34	1.33	1.35	1.36
AUD/USD	0.72-0.73	0.72	0.72	0.74	0.75
USD/JPY	113-115	115	116	115	114
USD/MYR	4.17-4.20	4.17	4.15	4.15	4.10
USD/SGD	1.34-1.35	1.35	1.34	1.34	1.33

Policy Rate %	Current	1Q-22	2Q-22	3Q-22	4Q-22
Fed	0-0.25%	0-0.25	0.25-0.50	0.50-0.75	0.75-1.00
ECB	-0.50	-0.50	-0.50	-0.50	-0.50
BOE	0.25	0.25	0.50	0.50	0.75
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
26/01	SG Industrial Production YoY (Dec)	14.6%
	US MBA Mortgage Applications (21 Jan)	2.3%

	US Advance Goods Trade Balance (Dec)	-$98.0b
	US New Home Sales MoM (Dec)	12.4%
27/01	US FOMC Rate Decision (26 Jan)	0-0.25%
	NZ CPI YoY (4Q)	4.9%
	AU Westpac Leading Index MoM (Dec)	0.12%
	CH Industrial Profits YoY (Dec)	9.0%
	JP Machine Tool Orders YoY (Dec F)	40.5%
	HK Exports YoY (Dec)	25.0%
	US Initial Jobless Claims (22 Jan)	286k
	US Durable Goods Orders (Dec P)	2.6%
	US Cap Goods Orders Nondef Ex Air (Dec P)	0.0%
	US GDP Annualized QoQ (4Q A)	2.3%
	US Pending Home Sales MoM (Dec)	-2.2%

Source: Bloomberg

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