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Global Markets Research

Daily Market Highlights

26 Sep: Heightening growth fear unnerved markets

Deeper and broader selloffs engulfed global financial markets

Equities under pressure while global bond yields continued spiking

DXY rallied past 113; GBP plunged to a 37-year low amid expansive tax cut plan

- Blood bath across all major asset classes from equities to bonds, FX and commodities. Even safe haven gold was not spared, down 1.7% d/d to \$1641.0/oz, its lowest since Apr-20. Plans by the UK government to expand stimulus to revive its economy heightened fear over more severe economic fallout following hawkish policy tightening and guidance. The VIX index has been trending up since mid-August, last settled at a two-month high.
- Major stock benchmark indices in the US fell 1.6-1.8% d/d and was down 4.0-5.1% w/w. European and Asian stocks also ended deeply in the red. The Euro Stoxx 600 plunged 2.3% while the FTSE 100 lost 2.0%. Nikkei fell 0.6% while the Hang Seng lost 1.2% d/d on Friday. KLCI lost 1.0% to a 2-month low.
- Selloffs in global bonds continued deepening, pushing yields up again by and large. The 10Y UK gilts plunged, prompting yields to jump a whopping 33bps to 3.82% on Friday while the German bunds rose a more modest 6bps to 2.02%. US treasuries however traded mixed, with front end yields extended its move higher while the longer end from 10Y onwards fell. The 2Y note yields rose 7bps to 4.20%, while the 10Y note yields fell 4bps to 3.68%.
- The FX markets were under tremendous pressure. The Dollar Index was seen rising steadily through the day, with bulls picking up steam as European markets opened. The DXY rallied two big figures to an intraday high of 113.24 before pulling back somewhat to close at 113.02 on Friday, up 1.6% d/d. On a week-on-week basis, the DXY jumped 3.1%. The greenback strengthened against all G10s, the most against a badly bruised GBP, as the new government's plan to increase fiscal spending and cut taxes spurred fear of BOE rate hikes and recession. The GBP last closed 3.6% d/d down at 1.0859, pushing the pair closer to parity. The EUR meanwhile weakened 1.5% d/d to 0.9687 while the JPY weakened 0.7% to 143.31.
- Asian currencies remained under pressure overall, weakening between 0.1-0.9% d/d vs the greenback. SGD lost the most by 0.9% followed by CNY (-0.7%). The MYR weakness stayed extended, down 0.2% d/d to 4.5775, a fresh high since 1998. BNM issued a statement on Friday dispelling talks of capital controls and a repegging of the MYR. The Governor said that "Rather than resorting to capital controls or re-pegging of the ringgit, the policy priority now is to sustain economic growth in an environment of price stability and to further strengthen domestic economic fundamentals

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	29,590.41	-1.62
S&P 500	3,693.23	-1.72
NASDAQ	10,867.93	-1.80
Stoxx Eur 600	390.40	-2.34
FTSE 100	7,018.60	-1.97
Nikkei 225	27,153.83	-0.58
Hang Seng	17,933.27	-1.18
Straits Times	3,227.10	-1.10
KLCI 30	1,424.98	-0.99
FX		
Dollar Index	113.02	1.59
EUR/USD	0.9687	-1.51
GBP/USD	1.0859	-3.57
USD/JPY	143.31	0.65
AUD/USD	0.6528	-1.76
USD/CNH	7.1377	0.79
USD/MYR	4.5775	0.23
USD/SGD	1.4309	0.87
Commodities		
WTI (\$/bbl)	79.43	-4.87
Brent (\$/bbl)	86.65	-4.07
Gold (\$/oz)	1,641.00	-1.72
Copper (\$\$/MT)	7,444.50	-3.12
Aluminum(\$/MT)	2,167.00	-2.52
CPO (RM/tonne)	3,780.00	0.71

Source: Bloomberg, HLBB Global Markets Research

through structural reforms. This will provide a more enduring support for the ringgit.”

- Oil prices plunged over 4.0% on growth and demand concerns. Brent crude plummeted 4.1% to \$86.65/ barrel while the WTI fell 4.9% d/d to \$79.43/ barrel.

PMI manufacturing improved overall but weakened in the Eurozone:

- US PMI manufacturing staged a surprised uptick to 51.8 in September flash estimate (Aug: 51.5), reflecting improvement in new orders and employment while price gains also edged higher as manufacturers sought to pass on higher costs.
- UK PMI manufacturing also edged up more than expected to 48.5 (Aug: 47.3), although it stayed contractionary for the 2nd straight month, its first back-to-back contraction since May-20 at the beginning of the pandemic. This raised recessionary concerns in the UK economy.
- In Australia, the similar print inched up to 53.9 in September (Aug: 53.8), suggesting manufacturing activities continued to hold up.
- On the contrary, Eurozone PMI manufacturing slipped more than expected and further into contraction territory in September (48.5 vs 49.6), dragged by new orders.

Mixed PMI services – firmer in the US and Australia but weaker in the EU and the UK:

- US PMI services jumped to 49.2 in September, a commendable improvement from 43.7 in August, although it still marked a small contraction. While new orders improved, employment grew at a slower rate while price gains moderated. In Australia, services activities expanded at a slightly faster pace of 53.9 in September (Aug: 53.8).
- However, services activities softened in Europe and the UK. In the Eurozone, a similar gauge showed services activities weakened more than expected to 48.9 in September (Aug:49.8). The UK PMI services also weakened more than expected and turned contractionary (49.2) for the first time since Feb-21.

Singapore CPI surprised on the upside; reaffirming expectations for MAS tightening:

- CPI picked up more than expected to 7.5% y/y and 0.9% m/m in August (Jul: +7.0% y/y and +0.2% m/m), beating consensus estimate of +7.2% y/y. The highest CPI since 2008 was driven by faster price gains in all categories except healthcare (steady at 2.7% y/y) and communication (-1.1% y/y). Core CPI also quickened more than expected to 5.1% y/y, up from July's +4.8%, reaffirming expectations for further tightening in the S\$NEER in next month's policy meeting.

Malaysia CPI picked up to a 5.5-year high at 4.7% y/y; leaving the door open for further OPR hikes:

- Headline CPI picked up steam for the fifth straight month, to 4.7% y/y in August (Jul: +4.4% y/y), its highest in 5.5 years. The pick-up in inflation was rather broad-based in eight out of twelve key sectors. Services CPI ticked higher for the 10th month in a row, to 3.7% y/y in August (Jul: +3.4%), a fresh high since Mar-16, while core CPI picked up for the 11th straight month to 3.8% y/y (Jul: +3.4%), marking its highest Dec-15. On a month-on-month basis, the rate of increase in CPI softened for the 2nd straight month,

to 0.2% (Jul: +0.4%; Jun: +0.6%), offering some comfort that the pick-up in prices may have slowed.

- We continue to expect headline CPI to stay above the 4.0% levels before tapering towards year end, bringing the full year CPI to the upper end of the official forecast range of 2.2-3.2%. Given the growing upside risks to inflation, we expect BNM to normalize interest rates further by 25-50bps even though the central bank has hinted on a potential pause depending on incoming data
- Foreign Reserves fell \$1.9bn to \$106.3bn as at 15 Sept (prior: \$108.2b), sufficient to finance 5.3 months of imports of goods and services and is 1.0x the short term external debt.

House View and Forecasts

FX	This Week	3Q-22	4Q-22	1Q-23	2Q-23
DXY	110-115	106.00	105.00	103.00	102.00
EUR/USD	0.95-1.00	1.02	1.03	1.05	1.04
GBP/USD	1.05-1.10	1.21	1.22	1.24	1.23
USD/JPY	140-145	138.00	135.00	133.00	132.00
AUD/USD	0.64-0.68	0.67	0.69	0.70	0.70
USD/MYR	4.55-4.60	4.42	4.40	4.38	4.35
USD/SGD	1.42-1.45	1.40	1.38	1.37	1.36

Rates, %	Current	3Q-22	4Q-22	1Q-23	2Q-23
Fed	2.25-2.50	3.00-3.25	4.25-4.50	4.25-4.50	4.25-4.50
ECB	-0.50	1.25	2.75	2.75	2.75
BOE	1.75	2.25	3.25	3.25	3.25
BOJ	-0.10	-0.10	-0.10	-0.10	-0.10
RBA	1.85	2.35	3.10	3.10	3.10
BNM	2.25	2.50	2.50	2.75	2.75

Source: HLBB Global Markets Research

Up Next

Date	Events	Prior
26/09	JN Jibun Bank Japan PMI Services (Sep P)	49.5
	JN Jibun Bank Japan PMI Mfg (Sep P)	51.5
	SI Industrial Production YoY (Aug)	0.60%
	HK Exports YoY (Aug)	-8.90%
	US Chicago Fed Nat Activity Index (Aug)	0.27
	US Dallas Fed Manf. Activity (Sep)	-12.9
27/09	JN PPI Services YoY (Aug)	2.10%
	CH Industrial Profits YoY (Aug)	--
	JN Machine Tool Orders YoY (Aug F)	10.70%
	US Durable Goods Orders (Aug P)	-0.10%
	US FHFA House Price Index MoM (Jul)	0.10%
	US S&P CoreLogic CS US HPI YoY NSA (Jul)	17.96%
	US Conf. Board Consumer Confidence (Sep)	103.2
	US Richmond Fed Manufact. Index (Sep)	-8
	US New Home Sales MoM (Aug)	-12.60%

Source: Bloomberg

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