26 October 2022

Global Markets Research

Daily Market Highlights

26 Oct: US stocks continued rising as bond yields slipped

DXY declined along with retreat in bond yields; GBP rallied

Largely weaker economic data globally raised recession concerns

Hang Seng and CSI saw narrower losses as markets digested President Xi's latest move

- Stocks rose for another session, as investors assessed sliding yields and new data for further clues into the health of the U.S. economy. Wall Street also waited for earnings from key tech companies. The Dow Jones Industrial Average was 1.1% d/d higher, the S&P 500 advanced 1.6% d/d, and the Nasdaq Composite popped a 2.3% daily gain. Nevertheless, it should be noted that tech stocks slumped in post market trading as Alphabet Inc fell after 3Q revenue came in below expectation, while Microsoft Corp and Texas showed disappointing revenue forecast. The pan-European Stoxx 600 also ended the day up 1.4% following the release of major tech earnings. Among the major companies reporting quarterly earnings on Tuesday were HSBC, UBS, Novartis, Randstad, Air Liquide, SAP and Covestro.

- A decline in yields also contributed to the latest stock gains. The yield on the benchmark 10-year Treasury note was last down by around 14bps at 4.10%, while the 2-year Treasury yield was last down around 3bps at 4.48% as a $9bn corporate bond sale by United Health was in progress and demand was weak for the 2-year note auction.

- The Dollar Index, meanwhile, fell 0.9% d/d to 110.95 amid hedging and speculative activity as well as the drop in bond yields. The sterling rallied 1.7% d/d after traders paired wagers on BOE hikes and bet the central bank's key interest rates will peak just below 5.0% in 2023. Sunak's appointment of Jeremy Hunt as Chancellor of the Exchequer is broadly seen as positive to restore confidence. Ringgit, meanwhile, closed marginally firmer but remained at it's all time low of 4.7362 against the USD.

- China's stock rout took a pause following Monday's sell off with traders weighing cheap valuations against market-unfriendly policies during President Xi Jinping's third term. Hang Seng and CSI300 stabilised with minor losses of -0.1% d/d and -0.2% d/d. The Renminbi, nevertheless, tumbled to its weakest since 2007 after the People's Bank of China loosened its grip on its tightly controlled currency fixing by setting the rate at a 14-year low. The currency slumped to 7.31 against USD before rebounding to close stronger 0.2% d/d. Deputy Governor Pan Gongsheng also reaffirmed a pledge to keep yuan "stable on a reasonable and equilibrium level" and vowed to push forward exchange rate reforms

- Commodity prices rose on a lift from a weaker dollar. Gold prices edged up by 0.3% d/d, while the West Texas Intermediate and Brent gained 0.9% d/d and 0.3% d/d respectively. The latter were also supported by supply

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	31,836.74	1.07
S&P 500	3,859.11	1.63
NASDAQ	11,199.12	2.25
Stoxx Eur 600	407.61	1.44
FTSE 100	7,013.48	-0.01
Nikkei 225	27,250.28	1.02
Hang Seng	15,165.59	-0.10
Straits Times	2,984.15	0.48
KLCI 30	1,444.41	-0.14
FX		
Dollar Index	110.95	-0.93
EUR/USD	0.9966	0.93
GBP/USD	1.1472	1.72
USD/JPY	147.93	-0.66
AUD/USD	0.6394	1.30
USD/CNH	7.3140	-0.17
USD/MYR	4.7362	-0.05
USD/SGD	1.4165	-0.41
Commodities		
WTI ($/bbl)	85.32	0.87
Brent ($/bbl)	93.52	0.28
Gold ($/oz)	1,652.80	0.25
Copper ($$/MT)	7,523.00	-0.44
Aluminum($/MT)	2,215.00	1.84
CPO (RM/tonne)	3,959.50	-0.83

Source: Bloomberg, HLBB Global Markets Research concerns highlighted by Saudi Arabia's energy minister. Saudi Arabia's energy minister, Prince Abdulaziz bin Salman said that energy stocks were being used as a mechanism to manipulate markets. Separately, the head of International Energy Agency (IEA) said that its members have huge oil reserves to tap if supply is disrupted.

US home prices, consumer confidence and manufacturing activities fell

- House prices fell nationwide in the US, declining 0.7% m/m in August (July: -0.6% m/m), but rose 11.9% y/y. This is the first time since March 2011 that the index has seen two consecutive months of decline, solidifying the deceleration of 12-month house price growth that began earlier this year. Higher mortgage rates continued to put pressure on demand, notably weakening house price growth.
- The S&P CoreLogic Case-Shiller U.S. National Home Price NSA Index reported a 13.0% y/y gain in August, a deceleration from +15.6% y/y in the previous month. Miami, Tampa and Charlotte reported the highest y/y gains among the 20 cities in August. On a m/m basis, all 20 cities reported smaller price increases in August.
- Richmond Fed latest survey showed manufacturing firms reported weaker conditions in October. The composite manufacturing index fell from 0 in September to −10 in October, dipping below its August level. Two of its three component indexes deteriorated notably: the indexes for shipments and volume of new orders fell from 14 and −11 in September to −3 and −22 in October, respectively. The third component, the employment index, remained unchanged at 0 in October, as hiring challenges persisted.
- U.S. consumer confidence ebbed in October after two straight monthly increases amid rising concerns about inflation and a possible recession next year, but households remained keen to purchase big-ticket items like motor vehicles and appliances. The Index now stands at 102.5, down from 107.8 in September. The Present Situation Index declined sharply to 138.9 from 150.2 last month. The Expectations Index, declined to 78.1 from 79.5, in line with rising recession risks.

PBOC adjusted cross-border borrowing rules

- The People's Bank of China adjusted rules to allow companies to borrow more from overseas, enabling more foreign capital inflows. The PBOC raised the so-called macro-prudential parameter for companies and banks' cross-border financing to 1.25 from 1.00, in order to increase their source of finding. Raising the parameter would allow companies to borrow more from overseas market. The announcement came before PBOC set the daily reference rate for the yuan at the weakest level since 2008, at 7.1668 per dollar vs the estimate of 7.2198.

UK manufacturing orders fell to -4, business optimism fell to -48

- UK's business optimism fell to -48 in October (July: -21), according to the Confederation of Business Industry. Manufacturing orders also declined to -4 from -2 the prior month as average selling prices over the next 3 months fell to +46. Exports orders also worsened to -14.

Hong Kong exports fell for 5th straight month

- Hong Kong exports fell for the 5th straight month by -9.1% y/y in September. This is compared to consensus estimate's -14.0% y/y and less severe than prior month's -14.3% y/y. Imports also contracted, albeit at a slower pace of 7.8% y/y. While exports to China fell at a slower pace of 8.5% y/y (August: -19.4% y/y), sales to other countries worsened. Exports to the US and South Korea plummeted 24.5% y/y and 26.5% y/y. Moving forward, Hong Kong's exports will remain under immense pressures, as elevated inflation in major advanced economies and more aggressive monetary policy tightening in response continue to dampen global demand.

Japan machinery tool order and department store sales rose at slower pace

- Japan's department store sales rose at a slower pace of +20.2% y/y in September (August: +26.1% y/y) as slower sales were recorded across the board. Separately, machine tool orders grew by 4.3% y/y for the same month. This was unchanged from its previous estimate but is slower than the 10.7% y/y increase in August.

Singapore's core inflation edged toward 14-year high at +5.3% in September

- Singapore's core inflation rose further to 5.3% y/y in September, driven mainly by larger increases in the prices of food, services and retail and other goods. This is higher than the 5.1% y/y in August but matched consensus estimate. Going forward, both the Monetary Authority of Singapore (MAS) and the Ministry of Trade and Industry (MTI) said that core inflation is projected to stay elevated in the next few quarters before slowing more discernibly in the second half of 2023 as the current tightness in the domestic labour market eases and global inflation moderates. For the full year, overall inflation is expected to average 6.0%, while MAS core inflation is projected to come in at around 4.0%. In 2023, taking into account all factors including the Goods and Services Tax (GST) increase, headline and core inflation are projected to average 5.5%- 6.5% and 3.5%-4.5%.

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
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 (Sep)	--
	SI Industrial Production YoY (Sep)	0.50%
	JN Leading Index CI (Aug F)	100.9
	JN Coincident Index (Aug F)	101.7
	EC M3 Money Supply YoY (Sep)	6.10%
	US MBA Mortgage Applications	--
	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%
27-Oct	AU Export Price Index QoQ (3Q)	10.10%
	AU Import Price Index QoQ (3Q)	4.30%
	CH Industrial Profits YoY (Sep)	--
	EC ECB Main Refinancing Rate	1.25%
	EC ECB Marginal Lending Facility	1.50%
	EC ECB Deposit Facility Rate	0.75%
	US GDP Annualized QoQ (3Q A)	-0.60%
	US Durable Goods Orders (Sep P)	-0.20%
	US Personal Consumption (3Q A)	2.00%
	US Durables Ex Transportation (Sep P)	0.30%
	US GDP Price Index (3Q A)	9.00%
	US Cap Goods Orders Nondef Ex Air (Sep P)	1.40%
	US Core PCE QoQ (3Q A)	4.70%
	US Cap Goods Ship Nondef Ex Air (Sep P)	0.40%
	US Initial Jobless Claims	--
	US Continuing Claims	--
	US Kansas City Fed Manf. Activity (Oct)	1
27/28 Oct	SI Unemployment rate SA (Sep)	2.10%

Source: Bloomberg

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