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Global Markets Research

Daily Market Highlights

27-May: Risk-on flow drove up US shares

US stocks climbed on Thursday, driven by positive retailer earnings

10Y UST yield remained at 2.75% for the third session while USD weakened

US 1Q22 GDP contracted more than initially estimated

- US stocks rose overnight, extending from the gains on Wednesday as positive earnings from several retailers eased the recent concerns surrounding US retail and consumption outlook. The Dow Jones rose more than 517pts or 1.6%, marking its fifth consecutive gains while the S&P 500 rallied 2.0%. Tech-focus NASDAQ outperformed to end the session 2.7% higher.

- Stocks closed higher in Europe and mixed in Asia. Japan and Hong Kong markets edged modestly lower while Chinese and most South East Asian shares went up. Futures point to a strong start in Japan and Hong Kong today as the markets are expected to track the US rally.

- Treasury yields steadied overnight, seeing little movement (-1.6 to +1.3bps) for the second session as the Fed rate guidance in the latest FOMC minutes matches market pricings. The yield on the benchmark 10Y UST stayed at 2.75% for the third consecutive day.

- Renewed risk appetite and weak US economic data weighed on the greenback. The EUR led the modest gains in the G10 basket. The dollar index edged down 0.2% to 101.83.

- USD/MYR briefly hit 4.4000 on Thursday before paring the intraday gains. The pair closed out Thursday's session unchanged at 4.3940, marking its third flat d/d reading within a four-day period. Cautious sentiment ahead of the weekend and major US data release are likely to keep the pair supported at the 4.39 handle.

- In the commodity market, gold futures were flat at $1847.60/oz (+0.07%). Oil benefitted from the risk-on flow, with Brent crude settling nearly 3.0% higher at $117.40/barrel and WTI surging 3.4% to $114.09/barrel.

US 1Q GDP growth revised down; initial jobless claims at 210k last week:

- The US economy contracted more than expected in the first quarter of 2022. The second estimate shows that GDP shrank 1.5% q/q annualised rate, versus -1.4% in the first estimate. Consumer spending was revised up from 2.7% to 3.1% q/q growth which were offset by the downward revision to private inventory investment and residential investment. In the fourth quarter of 2021, GDP had risen by 6.9% q/q.
- Initial jobless claims ticked lower by 8k to 210k for the week ended 21 May, compared to 218k in the previous week. The reading was better than expected (consensus: 215k), reflecting the still-tight labour market in the US.
- Pending home sales, a leading indicator for US existing home sales, fell 3.9% m/m in April, while the March reading was revised down to show a larger drop of 1.6% m/m. The April print missed the consensus forecast (-2.1%), joining a slew of cooling housing data as US interest rates increased.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	32,637.19	1.61
S&P 500	4,057.84	1.99
NASDAQ	11,740.65	2.68
Stoxx 600	437.71	0.78
FTSE 100	7,564.92	0.56
Nikkei 225	26,604.84	-0.27
Hang Seng	20,116.20	-0.27
Straits Times	3,209.18	0.93
KLCI 30	1,541.15	0.36
FX		
Dollar Index	101.83	-0.22
EUR/USD	1.0725	0.41
GBP/USD	1.2600	0.21
USD/JPY	127.12	-0.16
AUD/USD	0.7098	0.10
USD/CNH	6.7674	0.81
USD/MYR	4.3940	-0.01
USD/SGD	1.3731	-0.20
Commodities		
WTI ($/bbl)	114.09	3.41
Brent ($/bbl)	117.40	2.96
Gold ($/oz)	1,847.60	0.07

Source: Bloomberg, HLBB Global Markets Research

- The Kansas City Fed Manufacturing Index slipped modestly to 23 in May (Apr: 25), better than forecast but the direction was in line with the other weaker regional manufacturing gauges.

Hong Kong's trade volume increased in April:

- Hong Kong's unexpectedly export rose 1.1% y/y in April (Mar: -8.9%) defying the expectations of a 6.9% contraction. The reading reflects higher shipments to trade partners such as the US, Taiwan, Korea, India and Vietnam which were partially offset by the extended drop in shipments to its biggest buyer, China (-9.4% y/y). Shanghai remained under lockdown during that period and shutdown of factories and related logistical issues had severely dented demand.
- Imports also posted a 2.1% y/y growth (Mar: -6.0%), versus consensus estimate of -6.9%. The trade deficit was little changed at HKD 36.6b (Mar: -HKD37.3b).

Singapore's industrial production rose less than expected:

- Singapore's industrial production rose less than expected in April, reflecting the weakening external demand conditions in the wake of the Ukraine-Russia war and China's slowdown. Industrial output rose 2.2% m/m, below consensus estimate of +5.0% m/m following a sharp 11.2% m/m decline in March. The y/y industrial production growth managed to pick up to 6.2%, from 5.1% prior, supported by electronics, precision and transport engineering.

Consumer confidence slumped in New Zealand:

- The ANZ Consumer Confidence Index fell 2.5% m/m to 82.3 in May (Apr: 84.4), marking its fourth decline this year. The survey showed consumers turning pessimistic over current and 1-year ahead personal finance and downgraded the major household item purchase climate. On a more positive note, inflation expectations fell to 5.1%, from 5.6%. ANZ said that the reading was above the series' record low but still considered as dire.

House View and Forecasts

FX	This Week	2Q-22	3Q-22	4Q-22	1Q-23
DXY	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
27/05	CN Industrial Profits YoY (Apr)	--
	AU Retail Sales MoM (Apr)	1.6%
	US Advance Goods Trade Balance (Apr)	-$127.1b
	US Wholesale Inventories MoM (Apr P)	2.3%
	US Personal Income (Apr)	0.5%
	US Personal Spending (Apr)	1.1%
	US PCE Core Deflator YoY (Apr)	5.2%
	US U. of Mich. Sentiment (May F)	59.1

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30/05	JP Machine Tool Orders YoY (Apr F)	25.0%
	EZ Economic Confidence (May)	105.0

Source: Bloomberg

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