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Global Markets Research

Daily Market Highlights

27-June: Rate hikes and recession fear eased

US stocks snapped three-week losing streak last Friday

Dollar losing some strength; yields edged up as investors ditched safe assets

Hawkish Bullard played down recession concerns

- US stocks rallied last Friday and closed out the week on a higher note after registering three consecutive weekly losses since early June. US main benchmarks rose 2.7-3.3% on Friday as the most hawkish member of the FOMC, James Bullard, played down recession fear, citing healthy US consumers. This was despite the fact that Fed dove Mary Daly said she favoured a 75bp rate hike at the next July FOMC meeting, joining a number of officials that voiced out their preference for a more aggressive tightening to curb the US' 40Y high inflation. For the week, the Dow rose 5.4% while the S&P 500 gained 6.5%. NASDAQ outperformed at +7.5%.
- Treasury yields rebounded on Friday as investors sold bonds for risk assets. UST yields rose 4-6bps across the curve. The benchmark 2Y UST yield picked up 5bps to 3.07% while the 10Y yield rose 4bps to 3.14%.
- The dollar depreciated against all G10 currencies except the JPY which traded 0.2% lower amid a loss in appetites for safe haven assets. The NOK (+1.3%) was the best performing currency in the G10 basket, amid a rally in commodity currencies. CAD, AUD and NZD all traded higher by 0.7-0.8% against the greenback. Meanwhile, the EUR rose modestly by 0.3% while the GBP was little changed. The dollar index erased 0.2% at 104.19 and snapped a three-week winning streak by recording a weekly loss of 0.5%.
- MYR closed marginally higher (+0.08%) against the USD at 4.4025 and was virtually unchanged compared to a week ago. This came as Malaysia's CPI inflation rate hit a stronger-than-expected 2.8% which reinforces expectations for a BNM rate hike in July. On Friday, the SGD and offshore RMB were the top performers in the Asian basket albeit with modest gains of around 0.3%.
- Oil rebounded on improved risk sentiment. Brent crude settled 2.8% higher at \$113.12/barrel and WTI closed 3.2% higher at \$107.62/barrel.

US new home sales rose for the first time this year; consumer sentiment fell to record low:

- New home sales in the US rebounded by 10.7% m/m in May, besting the estimate of -0.2%. The April number was also revised higher to reflect a smaller 12.0% m/m decline (vs -16.6% in the first estimates). May reading was the first increase for new home sales this year, as the housing market grapples with higher interest rates and lean inventory as a result of supply chain constraint.
- The University of Michigan Consumer Sentiment Index slipped to a record low of 50 in June (May: 58.4) as consumers blamed inflation for eroding their living standards and expected bad times in the year ahead for business conditions.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	31,500.68	2.68
S&P 500	3,911.74	3.06
NASDAQ	11,607.62	3.34
Stoxx Eur 600	412.93	2.62
FTSE 100	7,208.81	2.68
Nikkei 225	26,491.97	1.23
Hang Seng	21,719.06	2.09
Straits Times	3,111.65	0.61
KLCI 30	1,436.70	0.39
FX		
Dollar Index	104.19	-0.24
EUR/USD	1.0553	0.29
GBP/USD	1.2268	0.07
USD/JPY	135.23	0.21
AUD/USD	0.6945	0.70
USD/CNH	6.6816	-0.27
USD/MYR	4.4025	-0.08
USD/SGD	1.3862	-0.29
Commodities		
WTI (\$/bbl)	107.62	3.21
Brent (\$/bbl)	113.12	2.79
Gold (\$/oz)	1,826.50	0.04

Source: Bloomberg, HLBB Global Markets Research

UK retail sales fell in May:

- Retail sales in the UK fell 0.5% m/m in May while April's sales were revised sharply lower to show a modest 0.4% gain (down from initially estimated 1.4% increase). Sales of household goods came down at a pretty steep rate of 2.3% m/m, marking its second negative month while sales of auto fuel were up by 1.1% m/m. Excluding fuel sales, retail sales declined by 0.7% m/m (Apr: +0.2%). Headline sales were 4.7% y/y lower compared to a year ago, highlighting the impact of inflation on UK consumer spending. A separate GfK consumer sentiment report showed that confidence fell to a record low in June amid deteriorating personal finance assessment.

Singapore's industrial production picked up in May:

- Industrial production growth in Singapore surprised at the upside at 10.9% m/m, higher than the consensus forecast of 2.8% and April reading of 2.1%. This in turn, translates to a higher 13.8% y/y growth (Apr: +6.4%), driven by higher production of electronics (+33.6% y/y).

Malaysia's CPI inflation rose higher in May:

- Headline CPI picked up steam for the second straight month, to 2.8% y/y in May. This came in above ours as well as market consensus estimates of 2.6% and 2.7% y/y respectively. The pick-up was broad-based across food and non-food categories, as well as services, adding to signs inflationary pressure is not only building up but also becoming more widespread in the system.
- The overall inflation outlook is expected to see further upside going into 3Q, further boosted by the removal of price ceilings on chicken and eggs, as well as the removal of subsidies on certain cooking oil products. Based on our estimate, overall CPI for the full year could potentially increase 0.3-0.4ppt to 3.0%, depending on the extent of the cost pass-through, coming in at the higher end of BNM's official forecast range of 2.2-3.2%.

House View and Forecasts

FX	This Week	2Q-22	3Q-22	4Q-22	1Q-23
DXY	103-106	106.00	108.00	105.00	103.00
EUR/USD	1.04-1.06	1.02	1.00	1.01	1.03
GBP/USD	1.22-1.24	1.21	1.20	1.22	1.24
AUD/USD	0.67-0.70	0.69	0.68	0.69	0.70
USD/JPY	134-137	133.00	135.00	133.00	132.00
USD/MYR	4.39-4.42	4.38	4.40	4.38	4.35
USD/SGD	1.38-1.40	1.39	1.40	1.38	1.37

Rates, %	Current	2Q-22	3Q-22	4Q-22	1Q-23
Fed	1.50-1.75	1.50-1.75	2.50-2.75	3.00-3.25	3.00-3.25
ECB	-0.50	-0.50	0.00	0.50	0.50
BOE	1.25	1.25	2.00	2.00	2.00
RBA	0.85	0.85	1.60	1.60	1.60
BOJ	-0.10	-0.10	-0.10	-0.10	-0.10
BNM	2.00	2.00	2.50	2.75	2.75

Source: HLBB Global Markets Research

Up Next

Date	Events	Prior
27/06	CN Industrial Profits YoY (May)	-8.5%
	HK Exports YoY (May)	1.1%
	US Durable Goods Orders (May P)	0.5%
	US Cap Goods Orders Nondef Ex Air (May P)	0.4%
	US Pending Home Sales MoM (May)	-3.9%
	US Dallas Fed Manf. Activity (Jun)	-7.3
28/06	US Advance Goods Trade Balance (May)	-\$106.7b

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US Wholesale Inventories MoM (May P)	2.2%
US FHFA House Price Index MoM (Apr)	1.5%
US S&P CoreLogic CS 20-City YoY NSA (Apr)	21.17%
US Conf. Board Consumer Confidence (Jun)	106.4
US Richmond Fed Manufact. Index (Jun)	-9.0

Source: Bloomberg

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