27 October 2022

Global Markets Research

Daily Market Highlights

27 Oct: Global stocks traded mixed

Bond yields broadly lower amid growth risks and policy pivot concerns

DXY lost the 110 handle while EUR rebounded above parity

ECB sets to meet today; a 75bps hike is still widely expected

- The Nasdaq Composite and S&P 500 snapped a 3-day winning streak as traders assessed disappointing earnings from tech giants Microsoft and Alphabet. The Nasdaq dropped 2.0% d/d, the S&P 500 lost 0.7% d/d while the Dow Jones Industrial Average were flat. Stocks attempted a rally earlier in the day, with traders attempting to shake off the quarterly results from Microsoft and Alphabet.

- European markets, on the hand, closed higher with corporate earnings season in full swing and a European Central Bank meeting ahead. The pan-European Stoxx 600 ended up 0.7% d/d, as Deutsche Bank, Barclays, Standard Chartered, Mercedes Benz, Heineken and Reckitt Benckiser all reported before the bell.

- Shares in the Asia-Pacific rose as sentiment overnight improved over the Fed potentially turning less aggressive. Hong Kong's Hang Seng index rose 1.0% d/d, while CSI 300 gained 0.8% d/d shortly after China Securities Regulatory Commission said on Tuesday it intends to expedite the development of a "regulated, transparent open, lively and resilient" market.

- Treasury yields fell again as markets absorbed housing sector data and paid close attention to earnings reports, scanning the numbers for hints about a looming recession. The 10-year Treasury yield was last down by close to 10 bps to 4.00%. The yield on the policy sensitive 2-year Treasury was last at 4.40%, having declined by about 6 bps.

- The euro rose back above parity against the dollar closing up 1.2% d/d to $1.01. Sterling strengthened for the second day, gaining 1.3% d/d. The Dollar also weakened against Japanese yen and Ringgit, sliding 1.1% d/d and 0.5% d/d respectively. All in, the Dollar Index declined 1.1% d/d to 109.70.

- The Brent and West Texas Intermediate (WTI) surged 2.3% d/d and 3.0% d/d, bolstered by record U.S. crude exports and as the nation's refiners operated at higher-than-usual levels for this time of year. The dollar's weakness also added support. U.S. crude stocks rose 2.6m barrels last week, 2% below the 5-year average for this time of year. Crude exports rose to 5.1m barrels a day, the most ever. Refining rates, meanwhile, remained steady at nearly 88.9% of capacity. Gold prices, meanwhile, also rose 0.7% d/d.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	31,839.11	0.01
S&P 500	3,830.60	-0.74
NASDAQ	10,970.99	-2.04
Stoxx Eur 600	410.31	0.66
FTSE 100	7,056.07	0.61
Nikkei 225	27,431.84	0.67
Hang Seng	15,317.67	1.00
Straits Times	3,008.38	0.81
KLCI 30	1,454.98	0.73
FX		
Dollar Index	109.70	-1.13
EUR/USD	1.0081	1.15
GBP/USD	1.1625	1.33
USD/JPY	146.37	-1.05
AUD/USD	0.6497	1.61
USD/CNH	7.1875	-1.73
USD/MYR	4.7137	-0.48
USD/SGD	1.4057	-0.76
Commodities		
WTI ($/bbl)	87.91	3.04
Brent ($/bbl)	95.69	2.32
Gold ($/oz)	1,664.00	0.68
Copper ($$/MT)	7,792.00	3.58
Aluminum($/MT)	2,335.00	5.42
CPO (RM/tonne)	4,028.50	1.74

Source: Bloomberg, HLBB Global Markets Research

US new home sales and mortgage applications fell

- Mortgage rates increased for the 10th consecutive week, with the 30-year fixed rate reaching 7.16%., the highest rate since 2001. The ongoing trend of rising mortgage rates continued to depress mortgage application activity, which remained at its slowest pace since 1997. For the week ended Oct 21, the Market Composite Index, a measure of mortgage loan application volume, decreased 1.7% w/w (prior: -4.5% w/w). Refinance applications were essentially unchanged at +0.1% w/w, but purchase applications declined 2.0% w/w and -42% y/y to the slowest pace since 2015 pace. Despite higher rates and lower overall application activity, there was a slight increase in FHA purchase applications, as FHA rates remained lower than conventional loan rates.
- Sales of new single-family houses tumbled to 603,000 in September. This constitutes a 10.9% m/m and 17.6% y/y decline. The result is a reversal from August's +28.8% m/m but was better than consensus estimate's -15.3% m/m. This was not surprising given that median sales price rose from $435,800 in August to $470,600 currently. There is also 9.2 months of inventories at the current sales rate, up from 8.6 the prior month.
- The Census Bureau reported that trade deficit widened to $92.2bn in September (Aug: -$87.3bn) as exports shrank 1.5% m/m while imports edged up by 0.8% m/m. Wholesale inventories for September were up 0.8% m/m (Aug: +1.3% w/w) while retail inventories rose 0.4% m/m (Aug: +1.4% m/m).

Japan services PPI stable at 2.1%

- The Services Producer Price Index (All items) rose 2.1% y/y in September, ticking up slightly from +2.0% y/y the prior month, suggesting inflation is still on the rise. Excluding international transportation, prices rose 1.6% y/y. Specifically, we note that prices of advertising services shot up from 1.6% y/y to 2.6% y/y this month.

Australia inflation raced to 32-year high, sounding rate alarm

- Australia's inflation rate rose 1.8% q/q in 3Q and 7.3%% y/y (2Q: +1.8% q/q and +6.1% y/y), highest since 1990. The past four quarters have seen strong quarterly rises off the back of higher prices for new dwelling construction, automotive fuel and food. Trimmed mean annual inflation, which excludes large price rises and falls, increased to 6.1% y/y (2Q: +4.9% y/y), the highest since the ABS first published the series in 2003. The ABS released the quarterly inflation figures the day after Treasurer Jim Chalmers warned in his first Budget that Australians will be facing cost-of-living pressures for some time. RBA is set to meet next week and we expect a 25bps hike in the cash rate to 2.85%.

New Zealand business confidence fell 6 points

- Business confidence fell 6 points in October to -42.7 (Sept: -36.7), while expected own activity dipped 1 point to -3. Most forward-looking activity indicators slipped a little, though residential construction intentions lifted. Responses received after the unexpectedly strong CPI data were weaker on average. Inflation pressures remain intense. Pricing intentions are gradually easing but are not yet indicating a meaningful fall in inflation.

Singapore output rose 0.9% y/y as electronics shrank for the third month

- Singapore's manufacturing output grew less than expected in September as production in the key electronics sector shrank for the third month in a row. Total output rose 0.9% y/y, fell short of the 1.2% y/y consensus estimate in a Bloomberg poll, though it was better than August 0.5% y/y anaemic rise, thanks to transport engineering and general manufacturing. The electronics sector saw its output drop by 7.0 y/y last month, after it shrank by 7.8% y/y in August.

House View and Forecasts

FX	This Week	4Q-22	1Q-23	2Q-23	3Q-23
DXY	109-114	115.00	112.70	110.45	110.00
EUR/USD	0.98-1.02	0.95	0.97	0.98	0.98
GBP/USD	1.12-1.17	1.10	1.10	1.11	1.12
USD/JPY	145-150	147.00	146.00	145.00	144.00
AUD/USD	0.62-0.66	0.62	0.63	0.64	0.64
USD/MYR	4.70-4.75	4.68	4.64	4.62	4.60
USD/SGD	1.40-1.43	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
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 Core PCE QoQ (3Q A)	4.70%
	US Cap Goods Ship Nondef Ex Air (Sep P)	0.40%
	US Initial Jobless Claims	214k
	US Kansas City Fed Manf. Activity (Oct)	1
27-28 Oct	SI Unemployment rate SA (Sep)	2.10%
28 Oct	NZ ANZ Consumer Confidence Index (Oct)	85.4
	JN Tokyo CPI YoY (Oct)	2.80%
	JN Jobless Rate (Sep)	2.50%
	JN Job-To-Applicant Ratio (Sep)	1.32
	AU PPI YoY (3Q)	5.60%
	EC Economic Confidence (Oct)	93.7
	EC Consumer Confidence (Oct F)	-27.6
	US Personal Income (Sep)	0.30%
	US Personal Spending (Sep)	0.40%
	US Real Personal Spending (Sep)	0.10%
	US Pending Home Sales MoM (Sep)	-2.00%
	US U. of Mich. Sentiment (Oct F)	--
	JN BOJ Policy Balance Rate	-0.10%

Source: Bloomberg

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