

28 March 2022

Global Markets Research

Daily Market Highlights

28-Mar: Phased lockdown in Shanghai raises economic concerns

US stocks extended gains on Friday amid some return of calm to the markets

USD traded largely mixed against G10s and major Asian currencies

US and UK consumers turned more downbeat as inflation bites

- US stocks ended generally higher on Friday with 0.4-0.5% d/d gains seen in the Dow and broader S&P. Tech-centric NASDAQ however slipped marginally by 0.2%. Some level of calm appeared to have returned although uncertainties surrounding Ukraine conflicts and the Fed rate hike path continued to keep investors on toes. Earlier, stocks also advanced in Europe and were mixed in Asia. Asian markets may turn jittery today following news of phased lockdown in Shanghai to curb the Omicron outbreak, raising concerns of deepening economic woes as Shanghai is China's major financial hub and port which contributes to about a quarter of the country's GDP.
- US Treasuries remained under pressure for the second day in a row, pushing yields up 10-15bps across the curve, to levels highest since 2019. The UST curve bear flattened as the benchmark 2Y note yields jumped 13bps to 2.27% while the 10s added 10bps to 2.47%. Traders are pricing in more aggressive Fed rate hikes to the tune of another 200bps by end 2022. With only six more FOMC meetings scheduled for the year, this implies we could see a 50bps hike in at least two Fed meetings.
- In the FX market, the USD continued its mixed trading against G10 and major Asian currencies. The dollar index settled last Friday flat at 98.79. The greenback strengthened against the EUR (-0.1%) and GBP (-0.04%) but weakened against the NOK (+0.8%), CAD (+0.4%), JPY (+0.3%).
- USD/MYR retreated for the first time in five days, changing two big figures to 4.2090 at close, down 0.4% d/d as the greenback weakened in Asian trading sessions and as the pair consolidated technically, pulling back from near overbought levels. MYR turned out to be the best performing major Asian currencies last Friday. We continue to eye a range of 4.20-4.25 in the week ahead, with 4.20 now serving as a key support. Russia-Ukraine headlines will likely remain the key market driver.
- Gold futures fell again amid better risk sentiments, down 0.4% to \$1954.20/oz, as investors continue to weigh the impact of the Ukrainian crisis on growth and inflation outlook. Crude oil prices however staged a rebound of 1.4% d/d on news of a retaliatory strike on Aramco site. The WTI last settled at \$113.90/barrel while the Brent closed at \$120.65/barrel. Next week may see further volatility in the oil market in the wake of OPEC+ meeting and prices could spike further should OPEC+ keep to its plan for a gradual output increase.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	34,861.24	0.44
S&P 500	4,543.06	0.51
NASDAQ	14,169.30	-0.16
Stoxx 600	453.55	0.11
FTSE 100	7,483.35	0.21
Nikkei 225	28,149.84	0.14
Hang Seng	21,404.88	-2.47
Straits Times	3,413.69	0.41
KLCI 30	1,603.30	0.27
FX		
Dollar Index	98.79	0.00
EUR/USD	1.0983	-0.13
GBP/USD	1.3182	-0.04
USD/JPY	122.05	-0.25
AUD/USD	0.7515	0.03
USD/CNH	6.3838	0.01
USD/MYR	4.2095	-0.38
USD/SGD	1.3581	0.04
Commodities		
WTI (\$/bbl)	113.90	1.39
Brent (\$/bbl)	120.65	1.36
Gold (\$/oz)	1,954.20	-0.41

Source: Bloomberg, HLBB Global Markets Research

US consumer sentiments softened more than expected; pending home sales unexpectedly fell

- Final reading of University of Michigan consumer sentiments softened more than initially estimated to 59.4 in March (preliminary 59.7; Feb: 62.8), marking its worst level since Nov-2011 dragged by heightened concerns over inflation and Ukrainian crisis. Consumers were more downbeat on both current conditions as well as outlook but 12-month inflation expectations jumped (5.4% vs 4.9% in February).
- Pending home sales surprisingly fell for the 4th straight month, by 4.1% m/m in February (Jan: -5.8% revised). This came against expectations for a rebound to +1.0% m/m, adding to signs the US housing market will continue to be confronted by limited supply and rising borrowing costs. All regions except the Northeast posted declines. On a y/y basis, the contraction in home sales narrowed less than expected to 5.4% y/y (Jan: -9.2% y/y revised).

UK consumer confidence softened more than expected; retail sales staged a surprised decline

- Retail sales defied expectations and fell 0.3% m/m in February (Jan: +1.9% m/m), extending the recent patchy growth trend. Sales ex-auto fuel also took a surprised turn and fell 0.7% m/m (Jan: +1.7%), indicating underlying weakness in retail spending which could only worsen as higher inflation dampens real income.
- GfK consumer confidence weakened more than expected to -31 in March (Feb: -26), back to its most pessimistic level since Nov-20. Consumers turned more downbeat about personal finances and economic situation over the next 12 months and plans for major purchases have been slashed considerably (-24 vs -15). Savings intention has however risen to 18 (prior 14), likely exerting further pressure on spending growth and economic activities going forward as inflation starts to bite.

Singapore industrial production accelerated more than forecast

- Industrial production quickened more than expected to increase 17.6% y/y in February (Jan: +2.4% y/y), pointing to further recovery in the Singapore economy. This best growth in eight months was driven by gains in all clusters save for chemicals (-2.7% y/y). The electronics cluster expanded the most, by 32.4% y/y, thanks to growth in the semiconductor segment supported by demand from 5G markets and data centers amid shortage in global chips. Other clusters which saw commendable growth were biomedical (+25.3%), and general manufacturing (+12.6%), while transport engineering (+4.5%) and precision engineering (+1.0%) registered modest increases.

Malaysia headline CPI tapered off but core CPI was on the rise as expected

- Headline CPI tapered off for the third straight month, to 2.2% y/y in February as expected (Jan: +2.3% y/y), as continued smaller gains in transport prices offset further acceleration in food inflation and slight uptick in the increase in utilities prices. Inflation picked up in most other sectors, reinforcing our earlier observation that underlying price pressure is building up. Core CPI jumped to a 30-month high at 1.8% y/y (Jan: +1.6%), while services inflation also gained traction for a 4th straight month, to 1.5% y/y (Jan: +1.2%), its fastest in nearly two years.
- Unabated conflicts in Ukraine are expected to prolong supply chain disruption especially in commodities, hence exerting upside risks to overall inflation outlook and downside risks to growth. We maintain our view that CPI would pick up again and likely peak in 3Q, based on our revised projection amid sharply higher global crude oil prices. This would result in a higher full year CPI forecast of 2.7% (prior 2.0%).

House View and Forecasts

FX	This Week	1Q-22	2Q-22	3Q-22	4Q-22
DXY	98-100	96.15	96.40	96.30	96.30
EUR/USD	1.08-1.10	1.13	1.12	1.12	1.13

GBP/USD	1.30-1.33	1.34	1.33	1.35	1.36
AUD/USD	0.74-0.76	0.72	0.72	0.74	0.75
USD/JPY	119-123	115	116	115	114
USD/MYR	4.20-4.25	4.17	4.15	4.15	4.10
USD/SGD	1.35-1.37	1.35	1.34	1.34	1.33

Rates, %	Current	1Q-22	2Q-22	3Q-22	4Q-22
Fed	0.25-0.50	0.25-0.50	0.75-1.00	1.25-1.50	1.25-1.50
ECB	-0.50	-0.50	-0.50	-0.50	-0.50
BOE	0.75	0.75	1.00	1.00	1.00
RBA	0.10	0.10	0.10	0.10	0.25
BOJ	-0.10	-0.10	-0.10	-0.10	-0.10
BNM	1.75	1.75	1.75	1.75	2.00

Source: HLBB Global Markets Research

Up Next

Date	Events	Prior
28/3	HK Exports YoY (Feb)	18.4%
	US Advance Goods Trade Balance (Feb)	-\$107.6b
	US Dallas Fed Manufacturing Activity (Mar)	14
29/3	JN Job-To-Applicant Ratio (Feb)	1.2
	JN Jobless Rate (Feb)	2.8%
	AU Retail Sales MoM (Feb)	1.8%
	US FHFA House Price Index MoM (Jan)	1.2%
	US S&P CoreLogic CS 20-City YoY NSA (Jan)	18.56%
	US Conf. Board Consumer Confidence (Mar)	110.5
	US JOLTS Job Openings (Feb)	11263k
	VN GDP YoY (1Q)	5.2%
	VN CPI YoY (Mar)	1.4%
	VN Exports YoY (Mar)	13.2%
	VN Retail Sales YTD YoY (Mar)	1.7%
	VN Industrial Production YoY (Mar)	8.5%

Source: Bloomberg

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