28 April 2022

Global Markets Research

Daily Market Highlights

28-Apr: Growth and rate outlook dominate markets

US stocks saw modest rise amid mixed batch of corporate earnings

DXY powered on as EUR tanked to a fresh 5-year low

Oil rebounded after a choppy session

- US stocks ended on modest gains on Wednesday, as investors assessed a mixed batch of corporate results from Boeing Co, Alphabet and Microsoft among others, interest rate outlook, and China's COVID-19 outbreak which may slow economic growth. Both the Dow Jones and S&P ended 0.2% higher each whilst the tech-heavy NASDAQ ended little changed (-0.01%). European stocks however fared better while Asian markets such as Nikkei and Hang Seng closed mixed, with the former down 1.2% and the latter marginally up by 0.1% instead.

- US treasuries ended weaker as investors awaited more clarity on the "restrictive" policy the Fed plans to pursue next week to combat inflation by curbing economic growth. Overall benchmark yields closed 7-11bps higher. The UST 2Y yield rose 8bps to 2.59% whilst benchmark UST 10Y jumped 10bps higher to 2.82%.

- In the FX market, the ongoing hawkish rate hike expectations sparked demand for the dollar which closed stronger against most G10 currencies. The dollar index rose 0.6% to 102.95, another fresh 2-year high. The JPY weakened the most, by 0.9%, whereas the EUR continued to weaken further by 0.8% against the greenback.

- USD/MYR continued its upward march by 0.1% to 4.3577. The Ringgit ended on a slightly bearish note again on strong demand for the greenback due to expected hawkish outcome in the upcoming FOMC meeting and also mounting concerns over China's growth risks emanating from Covid uncertainties. MYR closed mixed against a basket of Asian currencies, sinking the most against the Peso but strengthening by 0.5% against a weaker JPY.

- Gold futures fell 0.8% to $1885.90/oz, settling at the lowest since mid-February as dollar extended a rally and US bond yields rebounded. Expect demand to be influenced by risks to the global economic recovery; as gold-backed exchange-traded funds remain at a high. Oil prices however ended a choppy session higher amid Germany's ban on Russian oil and demand headwinds created by China's Covid uncertainties. Both Brent crude and US WTI gained 0.3%, closing at $105.32/barrel and $102.02/barrel respectively.

US MBA mortgage applications tumbled to its lowest since 2018

- The Mortgage Bankers Association's weekly index of total applications dropped 8.3% as at 22nd April (prior week: -5.0%), illustrating the impact of higher mortgage rates to the housing market. The average contract rate on a 30-year fixed mortgage has now jumped another 17bps to 5.37%; the highest since 2009.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	33,301.93	0.19
S&P 500	4,183.96	0.21
NASDAQ	12,488.93	-0.01
Stoxx 600	444.31	0.73
FTSE 100	7,425.61	0.53
Nikkei 225	26,386.63	-1.17
Hang Seng	19,946.36	0.06
Straits Times	3,320.67	-0.04
KLCI 30	1,585.98	-0.67
FX		
Dollar Index	102.95	0.64
EUR/USD	1.0557	-0.76
GBP/USD	1.2545	-0.23
USD/JPY	128.43	0.94
AUD/USD	0.7126	0.04
USD/CNH	6.5868	-0.05
USD/MYR	4.3577	0.05
USD/SGD	1.3812	0.15
Commodities		
WTI ($/bbl)	102.02	0.31
Brent ($/bbl)	105.32	0.31
Gold ($/oz)	1,885.90	-0.82

Source: Bloomberg, HLBB Global Markets Research

US March advance goods trade deficit widened in March

- The US trade deficit of goods/merchandise widened 18% to $125.3b from $106.3b in February as higher prices inflated the figures. Exports rose 7.2% to $169.31b whilst imports jumped even higher by 11.5% to $294.63b. Improvement in the trade shortfall is not expected anytime soon in view that US demand outpaces economic activity in many other countries.

US pending home sales fell 1.2% m/m in March

- The National Association of Realtors' Index of pending home sales fell more-than-expected by 1.2% (Feb: 4.1%), implying that multiple offers in the market are expected to retreat and be replaced by normalized market conditions in view of higher mortgage rates.

Australia CPI jumped more than expected in 1Q

- The stronger-than-expected inflation of 5.1% q/q (prior quarter: 3.5%) may prompt the RBA to commence an early rate hike as soon as May. The surge to a 13-year high level, saw the automotive fuel component reach a record high (+11.0 q/q), reflecting higher global oil prices. Other major rises included tertiary education, residential purchase costs and also pharmaceutical products. In short, both headline and underlying inflation in 1Q exceeded the RBA' forecasts that were already revised up in February amid renewed supply-chain disruptions mainly from China.

China industrial profits soared 8.5% in March

- China's industrial profit growth surprised on the upside by rising 8.5% y/y in March despite prior month's moderation in output and factory-gate inflation. Although foreign enterprises seemed vulnerable to the initial damage from the lockdowns to stem COVID-19 outbreak, the profits of state-owned enterprises (+19.5%) and private firms (+3.2%) rose instead.

Japan retail sales rebounded more than expected in March

- Retail sales rebounded more than expected to increase 2.0% m/m and 0.9% y/y in March (Feb: -0.9% m/m and -0.9% y/y revised) as sales grew at faster pace at department store and supermarket (+1.5% vs +0.1%), as well as convenience store (+1.7% vs +0.6% y/y). Meanwhile, sales at wholesale stores grew at a more moderate pace of 6.8% in March (Feb: +8.6% y/y).

Japan industrial production grew slower than expected in March

- Industrial production increased a mere 0.3% m/m in March, missing the estimate for a 0.5% m/m gain and sharply slower from the 2.0% increase in February. On an annual basis, production contracted 1.7% y/y (Feb: +0.5%), likely dampened by supply chain constraints amid escalating conflict in Ukraine and localised lockdown in China

House View and Forecasts

FX	This Week	2Q-22	3Q-22	4Q-22	1Q-23
DXY	100-104	98.5	99.0	98.0	97.5
EUR/USD	1.05-1.09	1.10	1.09	1.10	1.12
GBP/USD	1.25-1.31	1.29	1.28	1.30	1.31
AUD/USD	0.70-0.75	0.76	0.77	0.76	0.76
USD/JPY	126-130	121	120	120	120
USD/MYR	4.30-4.38	4.20	4.18	4.16	4.16
USD/SGD	1.35-1.38	1.36	1.35	1.34	1.33

Rates, %	Current	2Q-22	3Q-22	4Q-22	1Q-23
Fed	0.25-0.50	1.25-1.50	1.75-2.00	2.00-2.25	2.00-2.25
ECB	-0.50	-0.50	-0.50	-0.25	-0.25
BOE	0.75	1.25	1.25	1.25	1.25

RBA	0.10	0.10	0.75	1.00	1.25
BOJ	-0.10	-0.10	-0.10	-0.10	-0.10
BNM	1.75	1.75	2.00	2.00	2.25

Source: HLBB Global Markets Research

Up Next

Date	Events	Prior
28/04	NZ ANZ Business Confidence (Apr)	-41.9
	HK Exports YoY (Mar)	0.9%
	EZ Economic Confidence (Apr)	108.5
	US GDP Annualized QoQ (1Q A)	6.9%
	US Initial Jobless Claims (23 Apr)	--
	US Kansas City Fed Manufacturing Activity (Apr)	37.0
	JP BOJ Policy Balance Rate (28 Apr)	-0.1%
29/04	NZ ANZ Consumer Confidence Index (Apr)	77.9
	CN Caixin China PMI Mfg (Apr)	48.1
	VN CPI YoY (Apr)	2.41%
	VN Exports YoY (Apr)	14.8%
	VN Trade Balance (Apr)	$1389m
	VN Retail Sales YoY (Apr)	9.4%
	VN Industrial Production YoY (Apr)	8.5%
	EZ CPI Estimate YoY (Apr)	7.5%
	EZ GDP SA QoQ (1Q A)	0.3%
	US Employment Cost Index (1Q)	1.0%
	US Personal Income (Mar)	0.5%
	US Personal Spending (Mar)	0.2%
	US PCE Core Deflator YoY (Mar)	5.4%
	US MNI Chicago PMI (Apr)	62.9
	US U. of Mich. Sentiment (Apr F)	65.7

Source: Bloomberg

Hong Leong Bank Berhad
Fixed Income & Economic Research, Global Markets
Level 8, Hong Leong Tower
6, Jalan Damanlela
Bukit Damansara
50490 Kuala Lumpur
Tel: 603-2081 1221
Fax: 603-2081 8936
HLMarkets@hlbb.hongleong.com.my

DISCLAIMER

This report is for information purposes only and does not take into account the investment objectives, financial situation or particular needs of any particular recipient. The information contained herein does not constitute the provision of investment advice and is not intended as an offer or solicitation with respect to the purchase or sale of any of the financial instruments mentioned in this report and will not form the basis or a part of any contract or commitment whatsoever.

The information contained in this publication is derived from data obtained from sources believed by Hong Leong Bank Berhad ("HLBB") to be reliable and in good faith, but no warranties or guarantees, representations are made by HLBB with regard to the accuracy, completeness or suitability of the data. Any opinions expressed reflect the current judgment of the authors of the report and do not necessarily represent the opinion of HLBB or any of the companies within the Hong Leong Bank Group ("HLB Group"). The opinions reflected herein may change without notice and the opinions do not necessarily correspond to the opinions of HLBB. HLBB does not have an obligation to amend, modify or update this report or to otherwise notify a reader or recipient thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

HLB Group, their directors, employees and representatives do not have any responsibility or liability to any person or recipient (whether by reason of negligence, negligent misstatement or otherwise) arising from any statement, opinion or information, expressed or implied, arising out of, contained in or derived from or omission from the reports or matter.

Potential and actual conflict of interest may arise from the activities of HLB Group. HLB Group constitute a diversified financial services group. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, hedging transactions and other activities for their own account or the account of others. In the ordinary course of their business, HLB Group may effect transactions for their own account or for the account of their customers and hold long or short positions in the financial instruments. HLB Group, in connection with its business activities, may possess or acquire material information about the financial instruments. Such activities and information may involve or have an effect on the financial instruments. HLB Group have no obligation to disclose such information about the financial instruments or their activities.

The past performance of financial instruments is not indicative of future results. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Any projections or forecasts mentioned in this report may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information. No assurance can be given that any opinion described herein would yield favourable investment results. Recipients who are not market professional or institutional investor customer of HLBB should seek the advice of their independent financial advisor prior to taking any investment decision based on the recommendations in this report.

HLBB may provide hyperlinks to websites of entities mentioned in this report, however the inclusion of a link does not imply that HLBB endorses, recommends or approves any material on the linked page or accessible from it. Such linked websites are accessed entirely at your own risk. HLBB does not accept responsibility whatsoever for any such material, nor for consequences of its use.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. This report is for the use of the addressees only and may not be redistributed, reproduced or passed on to any other person or published, in part or in whole, for any purpose, without the prior, written consent of HLBB. The manner of distributing this report may be restricted by law or regulation in certain countries. Persons into whose possession this report may come are required to inform themselves about and to observe such restrictions. By accepting this report, a recipient hereof agrees to be bound by the foregoing limitations.