28 June 2022

Global Markets Research

Daily Market Highlights

28-June: US stocks, treasuries fell ahead of 2Q closing

Treasury yields rose as double auctions attracted weak demand

Dollar traded mixed against major currencies

US pending home sales & durable goods orders beat expectations

- US stocks started the final week of the second quarter on a weaker note even though economic data surprised to the upside. The Dow Jones and S&P 500 fell modestly by 0.2% and 0.3% respectively while NASDAQ edged lower by 0.7%. Earlier, stocks had mostly risen in Europe and rallied across the board in Asia.

- Treasury yields climbed by 6-7bps as the uncommon double auctions of 2Y and 5Y UST notes drew weak demand. The yield on the benchmark 2Y UST notes picked up 6bps to 3.12% while the 10Y yield gained 7bps to 3.2%.

- The dollar traded mixed against the G10 currencies. NOK registered the highest gain (+0.6%). EUR rose modestly by 0.3% alongside the CHF (+0.2%). GBP was little changed. JPY, AUD and NZD weakened. The dollar index lost the 104 handle as it slipped 0.2% to 103.94.

- MYR depreciated marginally (-0.05%) against the USD on Monday to close at 4.4045. The market appears to shrug off the stronger than expected Malaysia's CPI data that came out last Friday although the expectations for a larger 50bp OPR hike has firmed up. Cautious sentiment and the lack of direction is likely to leave the pair grounded at 4.3900-4.4000 levels today.

- Gold prices ticked lower by 0.3% to $1820.90/oz. Oil rallied amid a revival in the concerns over global oil supply. Market monitored the gathering of G7 leaders who are weighing a price cap on Russian crude. Worsening political situations in Libya and Ecuador point to potential disruption in oil supply from these two countries. Brent crude advanced 1.7% to $115.09/barrel while WTI picked up 1.8% to 109.57/barrel.

US durable goods orders and pending home sales beat expectations:

- Orders placed for durable goods (goods that last for three years and above) beat expectations in May, implying solid business capex despite inflation and growing economic concerns. Durable goods orders rose 0.7% m/m in May according to a preliminary release, beating the forecast of 0.1% and higher than the 0.4% gain in April. The core capital orders picked up 0.5% m/m (Apr: +0.3%), also better than expected while the shipment of these goods picked up at a steady and solid pace of 0.8% m/m (Apr: +0.8%).
- Pending home sales, a leading indicator for existing home sales, defied expectations for May as the number of contracts signed rose 0.7% m/m (Apr: -4.0%), instead of the expected decline of 4.0%. This marked the first m/m gain for contract signings in seven months as the US housing demand cools this year amid higher interest rates.
- The Dallas Fed manufacturing index turned even more negative in June, at -17.7, coming down from -7.3 in May. The reading joined a series of weak regional fed factory gauges this month, highlighting the challenges faced by US manufacturers.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	31,438.26	-0.20
S&P 500	3,900.11	-0.30
NASDAQ	11,524.55	-0.72
Stoxx Eur 600	415.09	0.52
FTSE 100	7,258.32	0.69
Nikkei 225	26,871.27	1.43
Hang Seng	22,229.52	2.35
Straits Times	3,137.54	0.83
KLCI 30	1,438.12	0.10
FX		
Dollar Index	103.94	-0.24
EUR/USD	1.0584	0.29
GBP/USD	1.2265	-0.02
USD/JPY	135.46	0.17
AUD/USD	0.6926	-0.27
USD/CNH	6.6927	0.17
USD/MYR	4.4045	0.05
USD/SGD	1.3859	-0.02
Commodities		
WTI ($/bbl)	109.57	1.81
Brent ($/bbl)	115.09	1.74
Gold ($/oz)	1,820.90	-0.31

Source: Bloomberg, HLBB Global Markets Research

China's industrial profits continued to fall; HK trade weakened:

- China's industrial profits fell 6.5% y/y in May, extending from the 8.5% drop in April. Profits dropped at a smaller pace compared to the previous month, reflecting the rebound in industrial production and the easing in factory gate inflation in the same month. Generally speaking, the easing of Covid-19 restrictions in Shanghai has offered some breathing room to local manufacturers.
- Neighbouring Hong Kong saw weaker international trade in May amidst the continued disruption caused by China's Covid rules. Exports fell 1.4% y/y, versus the expected increase of 4.3%. Exports had increased by a mere 1.1% y/y in April. Shipments to China fell 10.1% y/y, marking its third decline in a row. Meanwhile, imports which picked up marginally by 1.3% y/y also underperformed both consensus estimates (+4.8%) and April's growth (+2.1%).

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
28/06	US Advance Goods Trade Balance (May)	-$106.7b
	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
29/06	JP Retail Sales MoM (May)	1.0%
	AU Retail Sales MoM (May)	0.9%
	US GDP Annualized QoQ (1Q T)	-1.5%
	VN GDP YoY (2Q)	5.03%
	VN CPI YoY (Jun)	2.86%
	VN Exports YoY (Jun)	16.4%
	VN Retail Sales YoY (Jun)	22.6%
	VN Industrial Production YoY (Jun)	10.4%
	EZ Economic Confidence (Jun)	105.0
	US MBA Mortgage Applications (24 Jun)	4.2%

Source: Bloomberg

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