28 September 2022

## Global Markets Research

## Daily Market Highlights

# 28 Sep: Consolidation from recent selloffs

### Less fearful selloffs in equities and bonds

### DXY hovering around 114; GBP snapped 5-day losing streak

### Oil rebounded amid speculations of production cut from OPEC+

- Finally, some greens in a sea of red, especially in the Asian equity space. While markets continued to stay jittery amid growth and rate hike concerns, we saw some consolidation and/ or smaller losses across major asset classes. US equities failed to hold on to gains from higher openings and ended mixed. The Dow and S&P 500 registered smaller losses of 0.2-0.4% while the NASDAQ even rebounded into positive territory (+0.3%), marking its first advance in six days. European stocks remained in the red as fear over a deepening energy crisis manifested. Meanwhile, Nikkei and Hang Seng ended in the green. Futures also point to mixed opening this morning.

- Global bonds remained under broad selling pressure but we noted some gains, again in the Asian space. The UK gilts continued to see hefty double-digit spike in yields, but noticeably at much lesser pace (+26bps vs +42bps), bringing the 10Y yields to 4.50%, its highest since 2008. The UST traded mixed, with gains in the front end and continued selloffs in the longer end. The 2Y note yields fell 6bps to 4.29%, while the 10Y note yields edged up more modestly by 2bps to 3.95%., further reducing the 2/10s inversion to -34bps.

- On similar grounds, major currency crosses saw some consolidation/ stabilization after the recent selling bouts. The DXY edged up a marginal 0.01% d/d to 114.11, as the greenback traded mixed against the G10s. EUR saw extended decline to 0.9594 (-0.2%), and so were the JPY (-0.03%) and AUD (-0.3%). However, the sterling finally saw some reprieves, registering a 0.4% gain to 1.0733, followed by the CHF (+0.2%) and CAD (+0.1%).

- Asian currencies also traded mixed against the greenback. The KRW flipped and turned out to be the biggest gainer (+0.6%), a turnaround from the biggest loser the preceding day with a 1.5% decline. CNY bears continued to rule, pushing the CNY down a further 0.5% d/d to 7.1761, its weakest in three years. MYR lost a further 0.2% to 4.6108 while the SGD saw more modest decline of 0.06% to 1.4390.

- Oil prices snapped two days of decline and increased on speculations that OPEC+ may announce production cuts at its next meeting. Brent crude rebounded by 2.1% to $85.69/ barrel while the WTI rose 2.1% d/d to $77.96/ barrel.

**Key Market Metrics**

| | Level | d/d (%) |
|---|---|---|
| **Equities** | | |
| Dow Jones | 29,134.99 | -0.43 |
| S&P 500 | 3,647.29 | -0.21 |
| NASDAQ | 10,829.50 | 0.25 |
| Stoxx Eur 600 | 388.24 | -0.13 |
| FTSE 100 | 6,984.59 | -0.52 |
| Nikkei 225 | 26,571.87 | 0.53 |
| Hang Seng | 17,860.31 | 0.03 |
| Straits Times | 3,165.50 | -0.52 |
| KLCI 30 | 1,410.87 | -0.15 |
| **FX** | | |
| Dollar Index | 114.11 | 0.01 |
| EUR/USD | 0.9594 | -0.16 |
| GBP/USD | 1.0733 | 0.41 |
| USD/JPY | 144.80 | 0.03 |
| AUD/USD | 0.6435 | -0.33 |
| USD/CNH | 7.1794 | 0.08 |
| USD/MYR | 4.6108 | 0.16 |
| USD/SGD | 1.4390 | 0.06 |
| **Commodities** | | |
| WTI ($/bbl) | 77.96 | 2.12 |
| Brent ($/bbl) | 85.69 | 2.08 |
| Gold ($/oz) | 1,627.00 | 0.43 |
| Copper ($$/MT) | 7,291.00 | -0.01 |
| Aluminum($/MT) | 2,102.00 | -1.50 |
| CPO (RM/tonne) | 3,465.50 | -7.55 |

*Source: Bloomberg, HLBB Global Markets Research*

**Mixed bag of US data points to a patchy growth outlook:**

- US durable goods orders saw extended decline albeit at a less than expected rate of 0.2% m/m in August, marking its first back to back decline since Apr-20 dragged by non-defence aircraft. Orders ex-transportation sustained a 0.2% m/m increased, while core capital goods orders excluding defence items and civilian aircraft grew at a much stronger than expected pace of 1.3% m/m, pointing to still resilient capital spending although softer capex intentions as signalled by regional Fed banks the past few months imply slower capital spending going forward.
- Richmond Fed manufacturing index unexpectedly improved to a neutral level in September (0 vs -8), helped by a turnaround in shipment (14 vs -8) and smaller decline in new orders (-11 vs -20).
- Conference Board consumer confidence improved more than expected to 108.0 in September (Aug: 103.6), as consumers turned more optimistic about both present as well as future expectations, thanks to a firm labour market and lower gasoline prices that will help underpin consumer spending and cushioning the higher borrowing costs going forward.
- On the housing front, new home sales surprised with a 28.8% m/m increase in August (Jul: -8.6%), its biggest increase since Jun-20 driven by increases across all regions, believed to be due to “front-loading” of purchases ahead of further increase in borrowing costs. Median prices grew at a slower rate of 8.0% y/y (Jul: +14.9%), in tandem with softer increase in the S&P CoreLogic CS house price index (+15.8% vs +18.1% y/y). Meanwhile, the FHFA house price index reported a surprised decline of 0.6% m/m in July (Jun: +0.1%), its first decline since May-20, and was even worse than the 0.3% decline back then. House prices dropped across all regions. The US housing market remains weak overall in the face of higher interest rates.

**Japan PPI services unexpectedly eased; machine tool orders grew at faster pace:**

- PPI services unexpectedly pulled back to 1.9% y/y in August, from the 2.0% y/y increase in July and against expectations for a pick-up to +2.4%. Services PPI has been holding rather steady in the 1.9-2.0% region in the last five months, suggesting inflationary outlook may soften going forward.
- Machine tool orders grew at a faster pace of 10.7% y/y in August (Jul: +5.5% y/y), thanks to pick-up in both domestic (+16.2% vs +14.5%) and foreign orders (+7.7% vs +0.7%). Sectors which saw hefty increases in orders were autos, parts, electrical & precision.

**China industrial profits fell amid higher costs:**

- Industrial profits declined 2.1% y/y YTD August (YTD Jul: -1.1%), marking its first back to back contraction since Sept-20 as higher production and operation costs dented firms’ profitability. Of note, profitability of foreign firms and private firms fell 12.0% and 8.3% y/y respectively in the first eight months of the year, wiping out the 5.4% increase in profitability in SOEs. By industrial sector, continuous declines in profits from manufacturers (-13.4%) and utilities players (-4.9%) took centre stage and offset profits of miners (+88.1%).

## House View and Forecasts

| FX | This Week | 3Q-22 | 4Q-22 | 1Q-23 | 2Q-23 |
|---|---|---|---|---|---|
| DXY | 110-115 | 106.00 | 105.00 | 103.00 | 102.00 |
| EUR/USD | 0.95-1.00 | 1.02 | 1.03 | 1.05 | 1.04 |
| GBP/USD | 1.05-1.10 | 1.21 | 1.22 | 1.24 | 1.23 |
| USD/JPY | 140-145 | 138.00 | 135.00 | 133.00 | 132.00 |
| AUD/USD | 0.64-0.68 | 0.67 | 0.69 | 0.70 | 0.70 |
| USD/MYR | 4.55-4.60 | 4.42 | 4.40 | 4.38 | 4.35 |
| USD/SGD | 1.42-1.45 | 1.40 | 1.38 | 1.37 | 1.36 |

| Rates, % | Current | 3Q-22 | 4Q-22 | 1Q-23 | 2Q-23 |
|---|---|---|---|---|---|
| Fed | 3.00-3.25 | 3.00-3.25 | 4.25-4.50 | 4.25-4.50 | 4.25-4.50 |
| ECB | 1.25 | 1.25 | 2.75 | 2.75 | 2.75 |
| BOE | 2.25 | 2.25 | 3.25 | 3.25 | 3.25 |
| BOJ | -0.10 | -0.10 | -0.10 | -0.10 | -0.10 |
| RBA | 2.35 | 2.35 | 3.10 | 3.10 | 3.10 |
| BNM | 2.50 | 2.50 | 2.50 | 2.75 | 2.75 |

*Source: HLBB Global Markets Research*

## Up Next

| Date | Events | Prior |
|---|---|---|
| 28/09 | AU Retail Sales MoM (Aug) | 1.30% |
| | JN Leading Index CI (Jul F) | 99.6 |
| | JN Coincident Index (Jul F) | 100.6 |
| | US MBA Mortgage Applications (23-Sept) | 3.8% |
| | US Pending Home Sales MoM (Aug) | -1.00% |
| | US Pending Home Sales NSA YoY (Aug) | -22.50% |
| 29/09 | NZ ANZ Activity Outlook (Sep) | -4 |
| | NZ ANZ Business Confidence (Sep) | -47.8 |
| | UK Net Consumer Credit (Aug) | 1.4b |
| | UK Consumer Credit YoY (Aug) | 6.90% |
| | UK Mortgage Approvals (Aug) | 63.8k |
| | EC Economic Confidence (Sep) | 97.6 |
| | EC Industrial Confidence (Sep) | 1.2 |
| | EC Services Confidence (Sep) | 8.7 |
| | EC Consumer Confidence (Sep F) | -28.8 |
| | US Initial Jobless Claims (1-Sep) | 213k |
| | US GDP Annualized QoQ (2Q T) | -0.60% |

*Source: Bloomberg*

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