29 April 2022

Global Markets Research

Daily Market Highlights

29-Apr: Markets brushed off poor US 1Q GDP print

US stocks rose sharply on lesser fears over corporate results

Extended rally in DXY to a two-decade high; continuous rebound in oil

Surprised contraction in US 1Q GDP unlikely deters the Fed's 50bps hike next week

- US stocks finished sharply higher on Thursday, as investors brushed off data that showed the US economy contracted unexpectedly in 1Q22. The Dow Jones ended 1.9% higher whilst the S&P jumped 2.5% up. The tech-heavy NASDAQ spiked the most by 3.1% as investors entered into technology stocks following financial results such as Facebook parent Meta Platforms that were not as bad as originally feared. European stocks too fared well while Asian markets such as Nikkei ended up 1.8%. The Hang Seng too rose 1.7% higher.

- US treasuries ended weaker as risk appetite surged with optimism seen overshadowing the disappointing print in the 1st quarter GDP. Overall benchmark yields closed 0-3bps higher save for the long bond. The UST 2Y yield rose 3bps to 2.62% whilst the benchmark UST 10Y note yield closed unchanged at 2.83%.

- In the FX market, the dollar continued to trade firmer. The dollar index rose to another new 20-high by closing 0.7% higher at 103.62. The Yen however was again the clear underperformer, falling the most by 1.9%, whereas the EUR continued to weaken further by 0.6% against the greenback, breaking below the 1.05 handle at close. USD/Asia pairs continued to trade higher as well on the back of further advances in the greenback.

- USD/MYR continued its upward march by 0.2% to 4.3643. The Ringgit ended at a 2-year low on a bearish note amid USD strength and partly influenced by the weaker CNY. That said, prospect of continuous albeit slower expansion in external demand, along with lower risks pertaining to fiscal and growth outlook for Malaysia vs other economies, would likely keep the MYR more resilient vis-à-vis its peers going forward.

- Gold futures recovered to close 0.3% higher at $1891.30/oz, as investors weighed the backdrop of the Fed's monetary tightening path against the surprise contraction in the US economy. Brent crude rose 2.2% higher at $107.59/barrel whilst US WTI jumped 3.3% to $105.36/barrel amid supply concerns and on latest news report saying Germany has dropped its support for Russian oil ban.

Surprised contraction in US 1Q GDP

- The US economy shrank for the first time since 2Q20, as an import surge due to strong consumer demand exerted a drag on net exports. GDP fell at 1.4% q/q annualized rate in 1Q22, an unexpected reversal from the 6.9% growth pace in 4Q21. Besides the huge rise in trade deficit arising from the jump in imports versus the drop in exports, the contraction was also due to the slower build-up of business stockpiles, another sign of less sanguine growth outlook. Both

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	33,916.39	1.85
S&P 500	4,287.50	2.47
NASDAQ	12,871.53	3.06
Stoxx 600	447.07	0.62
FTSE 100	7,509.19	1.13
Nikkei 225	26,847.90	1.75
Hang Seng	20,276.17	1.65
Straits Times	3,335.09	0.43
KLCI 30	1,597.31	0.71
FX		
Dollar Index	103.62	0.65
EUR/USD	1.0499	-0.55
GBP/USD	1.2457	-0.70
USD/JPY	130.85	1.88
AUD/USD	0.7097	-0.41
USD/CNH	6.6597	1.11
USD/MYR	4.3643	0.15
USD/SGD	1.3868	0.41
Commodities		
WTI ($/bbl)	105.36	3.27
Brent ($/bbl)	107.59	2.16
Gold ($/oz)	1,891.30	0.29

Source: Bloomberg, HLBB Global Markets Research inventories and trade ripped off ~4ppts from headline growth followed by lower government spending.

US initial jobless claims fell to 180k

- The jobless claims report continues to point to tightness in the labour market as claims eased to 180k as at 23-April from 185k prior. The total number of continuing claims amounted to ~1.4m in the latest reading, almost similar to the previous week.

US Kansas City Fed Manufacturing Activity slowed in April

- According to the Federal Reserve Bank of Kansas City, manufacturing activity in the 10th Fed Reserve district slowed to 25 in April (Mar: 37). The volume of new orders fell to 10 from 33 last month.

BOJ kept rates unchanged; to purchase 10Y JGB at 0.25%

- BOJ maintained the policy balance rate at -0.1% as widely expected. There was also no change to its asset purchases and yield curve control setting. Nevertheless, the central bank has announced that they will purchase unlimited amount of 10Y JGB at 0.25% via fixed rate operations, allowing it to maintain an ultraloose monetary policy. This pushed the JPY above the 130 handle post announcement, prompting the Finance Ministry to issue warning that it would act "appropriately" to stem erratic move in the JPY.

New Zealand records narrower trade deficit in March

- Trade deficit for New Zealand narrowed to NZ$392m in March from revised NZ$691m in February. Exports of goods/merchandise jumped 27.9% when compared to the 19.6% increase in imports. China remained its largest export destination followed by North America.

New Zealand business confidence fell in April

- ANZ monthly business outlook survey results showed that business confidence fell slightly to -42.0 from -41.9 in March with inflation expectations rising to 5.92% (Mar: 5.51%). Residential construction too dropped substantially to -36.8 from -26.9. Nevertheless, the bright spark came from exports that moved higher from 7.9 to 9.5 and also activity outlook that jumped from 3.3. to 8.0.

Hong Kong exports fell in March weighed by China's Covid restrictions

- Exports in March plunged 8.0% y/y (Feb: +0.9%), the most since January 2020 as COVID-19 restrictions in China weighed on the flow of goods. Imports similarly followed suit by falling 6.0% (Feb: 6.2%). This resulted in higher trade deficit of HKD 37.3b.

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	1.24-1.31	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
29/04	NZ ANZ Consumer Confidence Index (Apr)	77.9
	CN Caixin China PMI Manufacturing (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
30/4	CN Manufacturing PMI (Apr)	49.5
	CN Non-manufacturing PMI (Apr)	48.4

Source: Bloomberg

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