

29 June 2022

Global Markets Research

Daily Market Highlights

29-June: Grim US consumer sentiment

Fall in Conference Board consumer confidence raises recession risk at year-end

US stocks battered alongside lower UST yields; dollar strengthened

European bond yields surged as ECB reaffirmed July rate hike plan

- US stocks fell alongside treasury yields as weak consumer confidence prompted investors to turn to safe assets. The Dow Jones fell 492pts or 1.6%. The S&P 500 shed 2.0%, driven by the broad-based decline in all sectors except energy shares which were boosted by the higher oil prices. NASDAQ plunged 3.0%. Earlier, European stocks rose modestly, tracking the gains in the Asian markets after China cut short the quarantine period to ten days (seven days at quarantine centre and three days home isolation).
- Treasury yields mostly fell across the curve as the market digested a slew of US economic data. The yield on the benchmark 2Y UST notes was unchanged at 3.11%. The benchmark 10Y yield ticked 3bps lower to 3.17%.
- European bond yields surged as markets raised bets on more ECB rate hikes after President Lagarde reaffirmed the central bank's plan to raise key rates by 25bps next month while speaking at the ECB's annual retreat in Sintra, Portugal. The 10Y German bund yield rose 8bps to 1.62%.
- The dollar appreciated overnight against all G10 peers except the CAD which held steadily. NZD was the worst performing currency (-1.0%). The EUR, GBP and JPY weakened by 0.5-0.7%. The dollar index moved higher (+0.6%) to 104.51, ending a two-day losing streak.
- THB (+0.6%) was the top gainer in the Asian basket after China's announced shortened quarantine period. MYR closed 0.2% stronger at 4.3970, joining only a handful of Asian currencies that appreciated against the USD after the S&P upgraded Malaysia's outlook from negative to stable. The weekly USD/MYR outlook is expected to maintain a neutral-to-bullish bias, keeping within the familiar ranges of 4.39-4.42, on the back of a sustained USD strength.
- Oil rose for the third session as traders mulled supply concerns while the G7 leaders contemplated putting a price cap on Russian oil that was intended to deprive Russia of oil revenue. Brent crude advanced 2.5% to \$117.98/barrel while WTI climbed 2.0% to \$111.76/barrel.

Grim US consumer confidence increases risk of recession:

- The Conference Board Consumer Confidence Index slumped to 98.7 in June, Feb-2021 while May's reading was revised lower to 103.2 (from 106.4 prior). The sharp decline in consumer confidence was led by the fall in expectations and consumers turned more pessimistic over inflation outlook, in particular the rising gas and food prices. The Conference Board said that the fall in the expectations index to below 80 suggests weaker growth in 2H22 and growing risk of recession by year end.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	30,946.99	-1.56
S&P 500	3,821.55	-2.01
NASDAQ	11,181.54	-2.98
Stoxx Eur 600	416.19	0.27
FTSE 100	7,323.41	0.90
Nikkei 225	27,049.47	0.66
Hang Seng	22,418.97	0.85
Straits Times	3,140.21	0.09
KLCI 30	1,454.74	1.16
FX		
Dollar Index	104.51	0.55
EUR/USD	1.0519	-0.61
GBP/USD	1.2184	-0.66
USD/JPY	136.14	0.50
AUD/USD	0.6908	-0.26
USD/CNH	6.7024	0.14
USD/MYR	4.3970	-0.17
USD/SGD	1.3878	0.14
Commodities		
WTI (\$/bbl)	111.76	2.00
Brent (\$/bbl)	117.98	2.51
Gold (\$/oz)	1,817.50	-0.19

Source: Bloomberg, HLBB Global Markets Research

Goods trade deficit narrowed in May as exports surged:

- The US advance goods trade deficit narrowed to \$104.3b in May, from \$106.7b in April, reflecting the 1.2% increase in exports to a record high level of \$176.6b. Imports fell marginally (-0.1% m/m) to \$280.9b, as extended lockdown in Shanghai disrupted US purchases. Consumer goods imports declined 2.4% m/m.
- The Richmond Fed Manufacturing Index plummeted deeper in the negative region, to -19 in June, versus -9 previously. The reading is in line with other regional manufacturing gauges that showed increasingly challenging manufacturing conditions in the US.
- On the housing front, home prices continued to rise but showed signs of a slowdown. The FHFA House Price Index rose 1.6% m/m in April, the same pace in March. The S&P CoreLogic CS 20-City Index increased at a softer rate of 1.8% m/m in April, down from 2.4% in March. Prices, nonetheless, remained 21% higher compared to the same month last year.

Japan retail sales saw further uptick in May:

- Retail sales picked up for the 3rd straight month, albeit growing less than expected by 3.6% y/y in May (Apr: +3.1% y/y revised). Month-on-month, sales increased 0.6% in May, slower than consensus estimate for a sustained 1.0% increase. The fastest growth since May last year was driven by sharp improvement in department store and supermarket sales, which jumped more than expected by 8.5% y/y during the month (Apr: +4.0% y/y), its fastest growth since Apr-21. Convenience store sales also picked up for the 3rd straight month to 3.5% y/y in May (Apr: +2.7% y/y), signalling broad improvement in Japanese consumption.

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
29/06	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%
30/06	JP Industrial Production MoM (May P)	-1.5%
	NZ ANZ Business Confidence (Jun)	-55.6
	CN Manufacturing PMI (Jun)	49.6

CN Non-manufacturing PMI (Jun)	47.8
UK GDP QoQ (1Q F)	0.8%
HK Retail Sales Value YoY (May)	11.7%
EZ Unemployment Rate (May)	6.8%
US Personal Income (May)	0.4%
US Personal Spending (May)	0.9%
US Initial Jobless Claims (25 Jun)	229k
US PCE Core Deflator YoY (May)	4.9%
US MNI Chicago PMI (Jun)	60.3

Source: Bloomberg

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