

Global Markets Research
Daily Market Highlights

29 Sep: Relief rally from BOE's bond buying plan

BOE, BOK and PBoC intervened to calm markets

US stocks rose and global bond yields retreated from recent highs

DXY gapped down to 112 levels; all G10s rallied while Asian FX remained mixed

- Overnight US and European markets rebounded as markets were hopeful that the bond purchase plan by the BOE will help avert a systemic crisis. The BOE pledged to buy an unlimited amount of long dated UK gilts to avert a crash in the UK bond market. This prompted a record daily plunge in yields (-106bps) of the 30Y UK gilts, an abrupt turn from the massive rally that had brought yields up to a two decade-high of close to 5.00% in just three trading days. UK gilts got a big lift post announcement, with yields plunging 38-114bps across the curve, led by the long bonds. 10Y UK gilts saw yields pulling back 50bps to 4.00%, from a record 4.50% a day earlier, but still remained way above the 3.00-3.10% levels seen in early September. In the US, yields were seen retreating 13-24bps across the curve with the 2s losing 15bps to 4.14% while the 10s plunged 21bps to 3.73%. Yields of European bonds also fell across the board.
- Besides BOE, we noted that more central banks are stepping up intervention to calm their respective markets. BOK and the South Korean government said it would buy back a combined KRW5 trillion of government bonds and is actively considering steps to stabilize its bonds and currency markets. PBoC called for banks to protect the yuan fixing and said keeping a steady Renminbi is its priority.
- The relief rally in global bonds was spilling over to the equity space. Major US and European stock indices ended in the green. The Dow added 1.9% while the broader S&P500 advanced 2.0%. Tech-heavy NASDAQ gained the most by 2.1%. The Stoxx Eur 600 and FTSE 100 clocked in 0.3% gain each.
- The FX markets also saw similar reversal. The DXY retreated for the first time in four days, pulling back 1.2% d/d to 112.73, gapping down two big figures after BOE's announcement. All G10s rallied, led by the NZD and CHF (+1.6%). The EUR and GBP added 1.5% while the Aussie staged a 1.4% rebound back above the 0.65 handle. JPY also strengthened 0.4% to 144.16.
- Asian currencies continued trading on a mixed note earlier in Asian trading. The KRW (-1.2%) was the biggest loser again despite the BOK's intervention, followed by THB (-1.0%) and IDR (-0.9%). The CNY fell 0.3% while the MYR lost a further 0.4% to 4.6302. SGD outperformed with a 0.3% gain to 1.4349.
- Oil prices extended its rally for a second straight day. Brent crude rose 4.2% to \$89.27/ barrel while the WTI jumped 5.0% d/d to \$81.88/ barrel.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	29,683.74	1.88
S&P 500	3,719.04	1.97
NASDAQ	11,051.64	2.05
Stoxx Eur 600	389.41	0.30
FTSE 100	7,005.39	0.30
Nikkei 225	26,173.98	-1.50
Hang Seng	17,250.88	-3.41
Straits Times	3,116.31	-1.55
KLCI 30	1,401.89	-0.64
FX		
Dollar Index	112.73	-1.21
EUR/USD	0.9735	1.47
GBP/USD	1.0889	1.45
USD/JPY	144.16	-0.44
AUD/USD	0.6522	1.35
USD/CNH	7.1624	-0.24
USD/MYR	4.6302	0.42
USD/SGD	1.4349	-0.28
Commodities		
WTI (\$/bbl)	81.88	5.03
Brent (\$/bbl)	89.27	4.18
Gold (\$/oz)	1,659.00	1.97
Copper (\$\$/MT)	7,479.00	2.58
Aluminum(\$/MT)	2,135.00	1.57
CPO (RM/tonne)	3,494.00	0.82

Source: Bloomberg, HLBB Global Markets Research

Declines in US pending home sales and mortgage applications:

- US MBA mortgage applications fell again, by 3.7% for the week ended 23-Sept, proving the preceding week's 3.8% gain was just a blip, as the highest 30Y mortgage rates since 2008, at 6.5%, dampened demand for home loans. New purchases fell marginally by 0.4% (prior: +1.0%) while refinancing plunged 10.9% (prior: +10.4%).
- Pending home sales fell more than expected by 2.0% m/m in August (Jul: -0.6% m/m), marking its third straight month of decline and sixth decline out of eight months this year. Higher interest rates continued to hamper prospects of the US housing market, and will exert a drag on US economic growth.

Japan's leading index for July was revised lower:

- Final reading of July leading index weakened more than initially estimated to 98.9 (Jun: 100.3; prelim: 99.6), its first reading below the 100-neutral threshold since February last year. Declines were seen in machinery orders, housing starts, and consumer confidence. On the contrary, the coincident index picked up to 100.1 in July (Jun: 99.2), albeit also lower than the initial estimate. The two indices point to a less sanguine growth outlook ahead.

Australia retail sales continued to expand albeit at slower rate:

- Retail sales growth eased less than expected to 0.6% m/m in August (Jul: +1.3%), and has been sustaining positive growth throughout the first eight months of the year, a sign of resiliency among the household sector despite higher interest rates. Sales at food related industries, cafes and restaurants, department stores all increased.

House View and Forecasts

FX	This Week	3Q-22	4Q-22	1Q-23	2Q-23
DX	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	4.58-4.65	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
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%
30/09	NZ ANZ Consumer Confidence Index (Sep)	85.4
	NZ Building Permits MoM (Aug)	5.00%
	JN Jobless Rate (Aug)	2.60%
	JN Job-To-Applicant Ratio (Aug)	1.29
	JN Retail Sales MoM (Aug)	0.70%
	JN Industrial Production MoM (Aug P)	0.80%
	JN Retail Sales YoY (Aug)	2.40%
	JN Dept. Store, Supermarket Sales YoY (Aug)	2.80%
	CH Manufacturing PMI (Sep)	49.4
	CH Non-manufacturing PMI (Sep)	52.6
	CH Caixin China PMI Mfg (Sep)	49.5
	JN Consumer Confidence Index (Sep)	32.5
	JN Housing Starts YoY (Aug)	-5.40%
	UK GDP QoQ (2Q F)	-0.10%
	HK Retail Sales Value YoY (Aug)	4.10%
	EC Unemployment Rate (Aug)	6.60%
	EC CPI Estimate YoY (Sep)	9.10%
	US Personal Income (Aug)	0.20%
	US Personal Spending (Aug)	0.10%
	US Real Personal Spending (Aug)	0.20%
	US PCE Core Deflator YoY (Aug)	4.60%
	US MNI Chicago PMI (Sep)	52.2
	US U. of Mich. Sentiment (Sep F)	59.5

Source: Bloomberg

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