30 May 2022

Global Markets Research

Daily Market Highlights

30-May: US stocks rallied over 6% last week

Treasury market stabilised; US markets will close on Monday

US consumer spending rose; core PCE inflation eased

US trade gap narrowed as imports plunged; China's industrial profits fell

- US stocks rallied last Friday as risk-on flow dragged stocks further away from bear territory this week, in the wake of some positive retailer earnings and the FOMC minutes this week. The Dow Jones rose 1.8%, surpassed by the S&P 500 (+2.5%) and NASDAQ (+3.3%). For the week, all benchmarks notched over-6% gains.

- Treasury yields continued to see another muted session on Friday, closing little changed (-1.8 to +1.1bps) on Friday. The yield on the benchmark 10Y UST closed slightly lower at 2.74% (-1bp), and was 4bps lower compared to the same day in the previous week.

- The dollar weakened further and the dollar index lost 0.2% to 101.67. The greenback fell against nearly all G10 currencies with gains led by commodity currencies (NOK, AUD, NZD). EUR and JPY were little changed (rose less than 0.1%). The dollar was down by 1.4% w/w, its second weekly decline in a row.

- USD/MYR closed 0.3% lower at 4.3790 on Friday, its weakest level in over two weeks. Friday's closing left the pair lower for the second consecutive week (-0.2% w/w) amid a halt in the USD rally. We continue to see slight bullishness in the pair going forward, likely in a range of 4.38-4.42. First tier US economic releases and Fedspeaks are expected to be the key driver as Malaysia PMI takes a backseat as usual.

- On the commodity front, gold futures picked up 0.2% to $1851.30/oz and posted 0.5% weekly gain. Oil prices climbed on Friday thanks to risk-on sentiment and traders continued to see a tight oil market. Brent crude rose 1.7% to $119.43/barrel and WTI picked up 0.9% to $115.07/barrel. Brent advanced over 6% last week while WTI posted its fifth consecutive gains (+1.6%).

- The US markets will be closed on Monday for Memorial Day. This week, the US reports a stream of top-tiered data including the May nonfarm and ADP job reports, ISM PMI indexes, construction spending, factory orders, consumer confidence and a couple of house price indexes. China's NBS manufacturing and non-manufacturing data will be crucial in assessing China's latest economic conditions.

US consumer spending rose in April while core PCE inflation eased:

- Personal spending in the US exceeded expectations, rising 0.9% m/m in April, following an upwardly revised 1.4% m/m gain in March.
- Personal income growth came in slightly lower at 0.4% m/m, lower than the consensus estimates and the March reading (+0.5% m/m). The fall in the savings rate (from 5.0% to 4.4%) indicates that US households dipped into their savings amid still-elevated US inflation.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	33,212.96	1.76
S&P 500	4,158.24	2.47
NASDAQ	12,131.13	3.33
Stoxx 600	443.93	1.42
FTSE 100	7,585.46	0.27
Nikkei 225	26,781.68	0.66
Hang Seng	20,697.36	2.89
Straits Times	3,230.55	0.67
KLCI 30	1,546.76	0.36
FX		
Dollar Index	101.67	-0.16
EUR/USD	1.0735	0.09
GBP/USD	1.2631	0.25
USD/JPY	127.11	-0.01
AUD/USD	0.7162	0.90
USD/CNH	6.7208	-0.69
USD/MYR	4.3790	-0.34
USD/SGD	1.3692	-0.28
Commodities		
WTI ($/bbl)	115.07	0.86
Brent ($/bbl)	119.43	1.73
Gold ($/oz)	1,851.30	0.20

Source: Bloomberg, HLBB Global Markets Research

- The core PCE price index matched forecasts, picking up 0.3% m/m (Mar: +0.3%) and slowed to 4.9% on a y/y basis (Mar: +5.2%). This is a welcoming sign for the Fed who uses the core PCE prices as its main inflation gauge.
- The University of Michigan Consumer Sentiment Index slumped to 58.4 in May, from 65.2 in April; the continued decline in sentiment was driven by pessimistic outlook for buying conditions and economic outlook primarily due to concerns over inflation. Compared to the same month last year, the index was lower by 30% y/y, marking a stark plunge in consumer confidence level over a one-year horizon.

US goods trade deficit narrowed as imports disrupted by Shanghai lockdown:

- An advanced report showed that the US goods trade deficit narrowed to $105.9b in April, from $125.9b previously. The $20b shrinkage in trade gap was the largest since 2009, reflecting a 5.0% m/m decrease in imports (Mar: +11.1%) that month as Shanghai's Covid lockdown disrupted shipments of goods to the US. Imports of industrial supplies, capital goods and consumer goods were all down. Exports rose 3.1% m/m (Mar: +5.8%).
- Businesses continued to stock up their inventories to meet the US consumer demand. Wholesale inventories rose 2.1% m/m in April and March inventories rose a revised 2.7% m/m. Retail inventories picked up at a softer pace (+0.7% m/m) after the revised 3.0% m/m increase.

China's industrial profits tumbled in April:

- China's industrial profits fell 8.5% y/y in April, marking its first decline since April 2020. There was no data available for the period of January to March. On a YTD basis, industrial profits fell 3.5% y/y, a slowdown compared to the 8.5% growth in the same period last year, reflecting Chinese factories' struggle with China's localised Covid lockdown that affected logistics, productions and sales.

Australia's retail sales at record high:

- Australia's retail sales climbed 0.9% m/m to a record high of A$33.9b in April, extending from the 1.6% m/m gain in March and marking its fourth consecutive month of gains, reflecting resilient consumption in the face of higher prices. Sales were driven by the food, apparels as well as the café and restaurant businesses whereas household items and department store goods fell.

House View and Forecasts

FX	This Week	2Q-22	3Q-22	4Q-22	1Q-23
DXY	101-102	106.00	108.00	105.00	103.00
EUR/USD	1.06-1.08	1.02	1.00	1.01	1.03
GBP/USD	1.25-1.27	1.21	1.20	1.22	1.24
AUD/USD	0.70-0.72	0.69	0.68	0.69	0.70
USD/JPY	125-128	133.00	135.00	133.00	132.00
USD/MYR	4.38-4.42	4.38	4.40	4.38	4.35
USD/SGD	1.36-1.38	1.39	1.40	1.38	1.37

Rates, %	Current	2Q-22	3Q-22	4Q-22	1Q-23
Fed	0.75-1.00	1.25-1.50	2.00-2.25	2.50-2.75	2.50-2.75
ECB	-0.50	-0.50	-0.50	-0.25	-0.25
BOE	1.00	1.25	1.25	1.25	1.25
RBA	0.35	0.50	0.75	1.00	1.25
BOJ	-0.10	-0.10	-0.10	-0.10	-0.10
BNM	2.00	2.00	2.50	2.50	2.75

Source: HLBB Global Markets Research

Up Next

Date	Events	Prior
30/05	JP Machine Tool Orders YoY (Apr F)	25.0%
	EZ Economic Confidence (May)	105.0

31/05	JP Job-To-Applicant Ratio (Apr)	1.22
	JP Jobless Rate (Apr)	2.6%
	JP Retail Sales MoM (Apr)	1.7%
	JP Industrial Production MoM (Apr P)	0.3%
	NZ ANZ Business Confidence (May)	-42.0
	CN Manufacturing PMI (May)	47.4
	CN Non-manufacturing PMI (May)	41.9
	EZ CPI Estimate YoY (May)	7.5%
	US FHFA House Price Index MoM (Mar)	2.1%
	US S&P CoreLogic CS 20-City YoY NSA (Mar)	20.2%
	US MNI Chicago PMI (May)	56.4
	US Conf. Board Consumer Confidence (May)	107.3
	US Dallas Fed Manf. Activity (May)	1.1

Source: Bloomberg

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