

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-Applciant 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

Hong Leong Bank Berhad

Fixed Income & Economic Research, Global
Markets
Level 8, Hong Leong Tower
6, Jalan Damanlela
Bukit Damansara
50490 Kuala Lumpur
Tel: 603-2081 1221
Fax: 603-2081 8936

HLMarkets@hlbb.hongleong.com.my

DISCLAIMER

This report is for information purposes only and does not take into account the investment objectives, financial situation or particular needs of any particular recipient. The information contained herein does not constitute the provision of investment advice and is not intended as an offer or solicitation with respect to the purchase or sale of any of the financial instruments mentioned in this report and will not form the basis or a part of any contract or commitment whatsoever.

The information contained in this publication is derived from data obtained from sources believed by Hong Leong Bank Berhad ("HLBB") to be reliable and in good faith, but no warranties or guarantees, representations are made by HLBB with regard to the accuracy, completeness or suitability of the data. Any opinions expressed reflect the current judgment of the authors of the report and do not necessarily represent the opinion of HLBB or any of the companies within the Hong Leong Bank Group ("HLB Group"). The opinions reflected herein may change without notice and the opinions do not necessarily correspond to the opinions of HLBB. HLBB does not have an obligation to amend, modify or update this report or to otherwise notify a reader or recipient thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

HLB Group, their directors, employees and representatives do not have any responsibility or liability to any person or recipient (whether by reason of negligence, negligent misstatement or otherwise) arising from any statement, opinion or information, expressed or implied, arising out of, contained in or derived from or omission from the reports or matter.

Potential and actual conflict of interest may arise from the activities of HLB Group. HLB Group constitute a diversified financial services group. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, hedging transactions and other activities for their own account or the account of others. In the ordinary course of their business, HLB Group may effect transactions for their own account or for the account of their customers and hold long or short positions in the financial instruments. HLB Group, in connection with its business activities, may possess or acquire material information about the financial instruments. Such activities and information may involve or have an effect on the financial instruments. HLB Group have no obligation to disclose such information about the financial instruments or their activities.

The past performance of financial instruments is not indicative of future results. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Any projections or forecasts mentioned in this report may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information. No assurance can be given that any opinion described herein would yield favourable investment results. Recipients who are not market professional or institutional investor customer of HLBB should seek the advice of their independent financial advisor prior to taking any investment decision based on the recommendations in this report.

HLBB may provide hyperlinks to websites of entities mentioned in this report, however the inclusion of a link does not imply that HLBB endorses, recommends or approves any material on the linked page or accessible from it. Such linked websites are accessed entirely at your own risk. HLBB does not accept responsibility whatsoever for any such material, nor for consequences of its use.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. This report is for the use of the addressees only and may not be redistributed, reproduced or passed on to any other person or published, in part or in whole, for any purpose, without the prior, written consent of HLBB. The manner of distributing this report may be restricted by law or regulation in certain countries. Persons into whose possession this report may come are required to inform themselves about and to observe such restrictions. By accepting this report, a recipient hereof agrees to be bound by the foregoing limitations.