

30 June 2022

Global Markets Research

Daily Market Highlights

30-June: Safe haven assets gained ahead of 2Q closing

Bonds rose alongside dollar as investors favoured safe assets

Swiss franc reached parity against euro

Oil reversed gains as US gasoline demand slowed

- US stocks closed on a mixed note overnight amid a lack of direction before the end of the second quarter. The Dow Jones rose 0.3% while the S&P 500 and NASDAQ edged lower marginally by 0.07% and 0.03% respectively. European stocks ended lower, tracking the losses in the Asian markets.
- Global bond yields saw a synchronised decline as investors favoured safe havens over risk assets. The yield on the benchmark 2Y UST notes dipped 7bps to 3.04% while the benchmark 10Y yield plunged 8bps to 3.09%. Fed Chair Powell said at an ECB Forum at Sintra that the Fed must raise interest rates rapidly to combat inflation even if it means facing higher risk of recession. He vowed that the central bank will not allow inflation to become entrenched.
- The dollar strength persisted into Wednesday's session on safe haven bids. The USD appreciated against all G10 currencies except the CHF (+0.2%) which emerged as the only G10 gainer vs the greenback. The SEK (-0.8%) was the worst performing currency followed by the EUR (-0.7%). The dollar index advanced 0.6% for the second day in a row to 105.11.
- The CHF rose to parity against the EUR for the first time since the Ukraine-Russia war broke out. EUR/CHF fell as much as 1.0% to 0.9966 at one point, the lowest level since January 2015 as traders piled into safe assets.
- Asian currencies weakened against the dollar, save for the RMB (+0.1%). South Korean won slumped 1.2% and was the main loser in the Asian basket as a key consumer sentiment gauge fell below the 100-mark that reflected the impact of rising inflation. MYR closed marginally weaker (-0.05%) against the dollar on Wednesday at 4.3995. The USD/MYR outlook continues to maintain a neutral-to-bullish bias, likely keeping within the familiar ranges of 4.39-4.42 on the back of a sustained USD strength.
- Oil reversed gains as traders digested data that showed softer gasoline demand in the US. WTI shed 1.8% to \$109.78/barrel and Brent crude fell 1.5% to \$116.26, ending a three-day winning streak.

US 1Q22 GDP revised lower; mortgage applications rose as rates fell:

- The US economy contracted more than initially estimated in the first quarter this year. The annualised GDP growth rate was revised lower from -1.5% to -1.6% q/q, compared to the 6.9% q/q growth in the fourth quarter of 2021. The economy shrank amid weaker inventory accumulation and a more negative net exports that were driven by strong demand for overseas goods.
- The MBA mortgage applications rose modestly by 0.7% w/w for the week ended 24 June, extending from the 4.2% gain prior. The increase was driven by both purchases and refinancing applications amid a general decline in mortgage rates

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	31,029.31	0.27
S&P 500	3,818.83	-0.07
NASDAQ	11,177.89	-0.03
Stoxx Eur 600	413.42	-0.67
FTSE 100	7,312.32	-0.15
Nikkei 225	26,804.60	-0.91
Hang Seng	21,996.89	-1.88
Straits Times	3,134.87	-0.17
KLCI 30	1,451.48	-0.22
FX		
Dollar Index	105.11	0.57
EUR/USD	1.0442	-0.73
GBP/USD	1.2124	-0.49
USD/JPY	136.59	0.33
AUD/USD	0.6880	-0.41
USD/CNH	6.7081	0.09
USD/MYR	4.3995	0.05
USD/SGD	1.3937	0.43

Commodities

WTI (\$/bbl)	109.78	-1.77
Brent (\$/bbl)	116.26	-1.46
Gold (\$/oz)	1,817.50	0.00

Source: Bloomberg, HLBB Global Markets Research

that tracked the lower UST yields last week. The average rate of a 30Y fixed rate contract fell to 5.8%, from 5.98% prior and 3.2% a year ago.

Eurozone consumer sentiment weakened in June:

- The European Commission Economic Sentiment Indicator slipped 1pt to 104 in June (May: 105), driven by the deteriorating consumer confidence that has now come near to the low level observed during the early days of the global pandemic. Consumer confidence index fell to -23.6 (May: -21.2) alongside the lower retail gauge (-5.1 vs -4.2 prior), reflecting the concerns over high inflation. Sentiment, however, improved in the services and industrial sectors.

Australia's retail sales rose for five months in a row:

- Australia's retail sales sustained a 0.9% m/m growth in May (Apr: +0.9%), besting the consensus estimates of 0.4%. The reading marked retail sales' fifth consecutive increase which implies that Australians had weather the higher prices and inflation relatively well. Consumers spent more at department stores which recorded a 5.1% jump in sales. Food, household goods picked up but at a more modest increase of less than 1.0%. Sales at cafes and restaurants rose as well but at a softer pace of 1.8% m/m (vs +3.3% prior).

Japan's industrial production unexpectedly fell in May:

- The decline in industrial production unexpectedly deepened to 7.2% m/m in May (Apr: -1.5%), marking its worst contraction since the beginning of the pandemic in Apr-May 2020. Production fell across the board from capital goods to durable and non-durable consumer goods, taking the hit from disruption from Shanghai lockdown. On a y/y basis, output extended its decline to 2.8% (Apr: -4.9%), signalling further dent on the already soft manufacturing activities.

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
30/06	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
01/07	NZ ANZ Consumer Confidence Index (Jun)	82.3
	JP Job-To-Applclicant Ratio (May)	1.23
	JP Jobless Rate (May)	2.5%
	JP Tankan Large Mfg Index (2Q)	14.0
	MA S&P Global Malaysia PMI Mfg (Jun)	50.1
	VN S&P Global Vietnam PMI Mfg (Jun)	54.7
	JP Jibun Bank Japan PMI Mfg (Jun F)	52.7
	CN Caixin China PMI Mfg (Jun)	48.1
	EZ S&P Global Eurozone Manufacturing PMI (Jun F)	54.6
	UK S&P Global/CIPS UK Manufacturing PMI (Jun F)	54.6
	EZ CPI Estimate YoY (Jun)	8.1%
	US S&P Global US Manufacturing PMI (Jun F)	57.0
	US Construction Spending MoM (May)	0.2%
	US ISM Manufacturing (Jun)	56.1

Source: Bloomberg

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