

31 March 2022

Global Markets Research

Daily Market Highlights

31-Mar: US stocks snapped winning streak

US equities, yields fell on renewed Russia-Ukraine uncertainties

Dollar dipped across the board; Yen found strength in BOJ's bond buying operations

BNM hinted at potentially measured and gradual OPR hike

- US stocks closed lower overnight while treasuries found support as investors cast doubt over a potential Russia-Ukraine de-escalation following a brief period of optimism. US equities snapped a four-day winning streak as the Dow Jones lost 0.2% while the S&P 500 shed 0.6%; tech-focus NASDAQ registered the worst performance at -1.2%. Earlier, equities generally fell in Europe and registered mixed performances in Asia.
- Treasury yields slipped across the curve overnight, extending from the previous session's decline. Yields ticked lower by 3-7bps where the benchmark 10Y UST yield was seen edging lower by 5bps to 2.35%.
- The dollar plunged against all currencies, except AUD which was unchanged. The dollar index dipped 0.6% to 97.79, marking its second successive daily loss this week. Among the G10, the Norwegian Krone (NOK) led the gain (+1.2%), followed by the CHF (+0.9%) and JPY (+0.9%). JPY was boosted by the BOJ's unlimited bond buying operation to defend its 0.25% 10Y JGB yield cap.
- USD/MYR closed 0.2% lower at 4.2040, as the MYR strengthened alongside its Asian counterparts against the greenback. The extended dollar weakness points to further down moves in USD/MYR today with the potential to break 4.2000 before targeting the next support level of 4.1940.
- In the commodity market, gold futures rose 1.1% to \$1933.50/oz as USD weakened. Oil benchmarks recovered partially from the most recent selloff. Brent crude jumped 2.9% to \$113.45/barrel while WTI climbed 3.4% to \$107.82/barrel.
- In its 2021 annual review, BNM expects the Malaysian economy to strengthen further to 5.3-6.3% y/y in 2022, marking a slide downgrade from the earlier MOF forecast of 5.5-6.5%. BNM commented on the potential policy adjustment, but cautioned that it will be gradual and measured given added complexity from downside growth risks and upside inflation risks. This reaffirmed our view for a 25bps hike in the OPR in 2H2022.

US private sector added 455k jobs:

- The US private sector added 455k jobs in March (Feb: +486k), roughly matching the consensus forecast of 450k. Job growth concentrated mainly in the services sector (+377k) whereas manufacturing and construction added 54k and 15k payrolls. The overall reading continued to indicate solid US labour conditions, supporting the case for more aggressive Fed tightening.
- The US 4Q21 annualised GDP growth was revised lower to 6.9% q/q, from 7.0% in the previous estimates. Growth was led by the build-up in inventories (+5.32ppts) as businesses sought to meet the robust consumer demand, followed by personal consumption (+1.76ppts) particularly in the services sector. Net exports (-

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	35,228.81	-0.19
S&P 500	4,602.45	-0.63
NASDAQ	14,442.27	-1.21
Stoxx 600	460.19	-0.41
FTSE 100	7,578.75	0.55
Nikkei 225	28,027.25	-0.80
Hang Seng	22,232.03	1.39
Straits Times	3,442.61	0.25
KLCI 30	1,583.22	-0.01
FX		
Dollar Index	97.79	-0.62
EUR/USD	1.1159	0.66
GBP/USD	1.3134	0.31
USD/JPY	121.83	-0.85
AUD/USD	0.7509	0.00
USD/CNH	6.3598	-0.25
USD/MYR	4.2040	-0.23
USD/SGD	1.3526	-0.27
Commodities		
WTI (\$/bbl)	107.82	3.43
Brent (\$/bbl)	113.45	2.92
Gold (\$/oz)	1,933.50	1.11

Source: Bloomberg, HLBB Global Markets Research

0.23ppts) and government consumption (-0.46ppts) were a drag on the headline GDP growth.

- MBA mortgage applications fell 6.8% w/w, following the 8.1% w/w decline previously. Notably, the refinancing index plunged 14.9% as the average rate for 30Y fixed rate contracts jumped to 4.8% (prior: 4.5%). Mortgage rates rose across the tenures last week in response to the recent spike in treasury yields.

Eurozone economic confidence dipped following Russia-Ukraine war:

- The European Commission Economic Sentiment Index slumped by 5.4pts to a one-year low of 108.5 in March (Feb: 113.9) as the Russian invasion of Ukraine gave rise to renewed concerns over the euro area's economic outlook. Consumer sentiment plunged by nearly 10 pts amid growing inflation expectations and fear of a massive energy supply disruption given the bloc's heavy reliance on Russian oil and gas.

Japan's industrial production rebound capped by supply chain disruptions:

- Japan's industrial output failed to recover strongly from the two-month setback as the supply chain bottlenecks and the resulting material shortages put a cap on any meaningful output growth. Industrial production rose 0.1% m/m in February, according to a preliminary report; the meagre growth underperformed the consensus estimate of 0.5% m/m and followed a 0.8% m/m decline in January output. On a y/y basis, industrial production was 0.2% higher (Jan: -0.5%), also missing the forecast of 0.8%.

New Zealand's business confidence improved slightly but still sour:

- The headline ANZ Business Confidence Index recovered 10pts to -41.9 in March, from -51.8 prior. The survey reported a general lifting of activity indicators as the Omicron wave eased, except for the residential building intentions. Inflation pressures continue to build up and "broaden to every corner of the economy".

House View and Forecasts

FX	This Week	1Q-22	2Q-22	3Q-22	4Q-22
DXY	98-100	96.15	96.40	96.30	96.30
EUR/USD	1.08-1.10	1.13	1.12	1.12	1.13
GBP/USD	1.30-1.33	1.34	1.33	1.35	1.36
AUD/USD	0.74-0.76	0.72	0.72	0.74	0.75
USD/JPY	119-123	115	116	115	114
USD/MYR	4.20-4.25	4.17	4.15	4.15	4.10
USD/SGD	1.35-1.37	1.35	1.34	1.34	1.33

Rates, %	Current	1Q-22	2Q-22	3Q-22	4Q-22
Fed	0.25-0.50	0.25-0.50	0.75-1.00	1.25-1.50	1.25-1.50
ECB	-0.50	-0.50	-0.50	-0.50	-0.50
BOE	0.75	0.75	1.00	1.00	1.00
RBA	0.10	0.10	0.10	0.10	0.25
BOJ	-0.10	-0.10	-0.10	-0.10	-0.10
BNM	1.75	1.75	1.75	1.75	2.00

Source: HLBB Global Markets Research

Up Next

Date	Events	Prior
31/03	CN Manufacturing PMI (Mar)	50.2
	CN Non-manufacturing PMI (Mar)	51.6
	UK GDP QoQ (4Q F)	1.0%
	HK Retail Sales Value YoY (Feb)	4.1%
	EZ Unemployment Rate (Feb)	6.8%
	US Personal Income (Feb)	0.0%
	US Personal Spending (Feb)	2.1%
	US PCE Deflator YoY (Feb)	6.1%

01/04	US Initial Jobless Claims (26 Mar)	187k
	US MNI Chicago PMI (Mar)	56.3
	NZ ANZ Consumer Confidence MoM (Mar)	-16.4%
	JP Tankan Large Mfg Index (1Q)	18.0
	JP Tankan Large Non-Mfg Index (1Q)	9.0
	MA S&P Global Malaysia PMI Mfg (Mar)	50.9
	VN S&P Global Vietnam PMI Mfg (Mar)	54.3
	JP Jibun Bank Japan PMI Mfg (Mar F)	52.7
	AU Home Loans Value MoM (Feb)	2.6%
	CN Caixin China PMI Mfg (Mar)	50.4
	EZ S&P Global Eurozone Manufacturing PMI (Mar F)	58.2
	UK S&P Global/CIPS UK Manufacturing PMI (Mar F)	58
	EZ CPI Estimate YoY (Mar)	5.8%
	US Change in Nonfarm Payrolls (Mar)	678k
	US Unemployment Rate (Mar)	3.8%
	US Average Hourly Earnings YoY (Mar)	5.1%
	US Labor Force Participation Rate (Mar)	62.3%
	US S&P Global US Manufacturing PMI (Mar F)	57.3
	US Construction Spending MoM (Feb)	1.3%
	US ISM Manufacturing (Mar)	58.6

Source: Bloomberg

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