

31 May 2022

Global Markets Research

Daily Market Highlights

31-May: Global stocks rose as China relaxed Covid restrictions

European & Asian shares rallied as Covid rules eased in Shanghai & Beijing

Risk-on sentiment pressured global bonds and safe haven currencies

Germany's inflation at record high; investors increased bets on ECB rate hikes

- Global stocks rose on Monday as local authorities eased Covid restrictions in Shanghai and Beijing amid a further drop in infections to two-digit levels in the respective city. European major benchmarks all closed higher with the pan-European STOXX Europe 600 advancing 0.6%. In Asia, both Nikkei 225 and Hang Seng rallied more than 2.0% while Chinese benchmarks picked up modestly. US markets were closed for the Memorial Day holiday.
- Risk-on sentiment led investors to abandon government debt, pushing up global bond yields. Yields were seen higher across Europe and Asia. The yield on the benchmark 10Y German bund jumped by 9bps to 1.05% as Germany's headline CPI jumped to a record high of 8.7% in May and investors raised speculations for the ECB to hike rates as much as 114bps by year-end (vs just 85bps last Friday).
- In the currency market, risk appetites pressured safe haven currencies. Within the G10 basket, USD depreciated against all currencies except JPY and CHF. The dollar index was flat at 101.67. Meanwhile, spot price for gold was little changed at \$1855.23/oz.
- USD/MYR ended Monday's session 0.3% lower at 4.3660, extending from last Friday's weakness and marked its weakest level in more than three weeks. The broad-based retreat in USD strength likely continues to support the MYR, leading the pair to test the 4.35 key support.
- Oil prices surged to their strongest levels in more than two months as China eased lockdowns. Brent crude climbed for the eighth consecutive session to \$121.67/barrel (+1.9%). The Wallstreet Journal reported this morning that the European Union finally announced a Russian oil embargo that would cover 90% of oil imports from Russia by the end of the year. The embargo, however, will include an exemption on oil delivered via pipelines which is said to be making up one-third of the EU purchase from Russia.

Eurozone's economic sentiment improved slightly in May:

- The Eurozone's economic sentiment indicator increased slightly to 105.0 in May, from 104.9 in April as the improvement in services and construction confidence offset the weaker manufacturing sentiment. Consumer confidence remained negative but showed improvement, picking up to -21.1, from -22.0 prior.

Japan machine tool orders fell in April; jobless rate and retail sales improved while industrial production surprised on the downside:

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	446.57	0.59
FTSE 100	7,600.06	0.19
Nikkei 225	27,369.43	2.19
Hang Seng	21,123.93	2.06
Straits Times	3,238.92	0.26
KLCI 30	1,543.02	-0.24
FX		
Dollar Index	101.67	0.00
EUR/USD	1.0779	0.41
GBP/USD	1.2652	0.17
USD/JPY	127.59	0.38
AUD/USD	0.7196	0.47
USD/CNH	6.6715	-0.73
USD/MYR	4.3660	-0.30
USD/SGD	1.3671	-0.15
Commodities		
WTI (\$/bbl)*	115.07	0.86
Brent (\$/bbl)	121.67	1.88
Gold (\$/oz)*	1,851.30	0.20

*Closing for 27 May 2022

Source: Bloomberg, HLBB Global Markets Research

- Japan's machinery tool orders fell 6.8% m/m in April after the near-20% increase in the previous month. Both domestic and foreign orders were down. Orders were higher by 25% compared to the same month last year (Mar: +30.0%).
- Retail sales growth quickened more than expected to 2.9% y/y in April (Mar: +0.7% downwardly revised), marking its best gain since May-21 driven by faster gain in departmental store and supermarket sales (+4.0% vs +1.5%) reflecting recovery post Covid rules relaxation. Jobless rate also improved to 2.5% in April, from 2.6% in March while job-to-applicant ratio ticked higher to 1.23 (Mar: 1.22).
- On the contrary, industrial production fell more than expected by 1.3% m/m and 4.8% y/y in April (Mar: +0.3% m/m and -1.7% y/y), as localized lockdown in China disrupted the supply chain, hence manufacturing production.

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	4.35-4.42	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
31/05	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
01/06	MA S&P Global Malaysia PMI Mfg (May)	51.6
	VN S&P Global Vietnam PMI Mfg (May)	51.7
	JP Jibun Bank Japan PMI Mfg (May F)	53.2
	AU GDP SA QoQ (1Q)	3.4%
	CN Caixin China PMI Mfg (May)	46.0
	UK Nationwide House Px NSA YoY (May)	12.1%
	EZ S&P Global Eurozone Manufacturing PMI (May F)	54.4
	HK Retail Sales Value YoY (Apr)	-13.8%
	UK S&P Global/CIPS UK Manufacturing PMI (May F)	54.6
	EZ Unemployment Rate (Apr)	6.8%
	US MBA Mortgage Applications (27 May)	-1.2%
	US S&P Global US Manufacturing PMI (May F)	57.5
	US Construction Spending MoM (Apr)	0.1%
	US ISM Manufacturing (May)	55.4
	US JOLTS Job Openings (Apr)	11549k

Source: Bloomberg

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