

31 October 2022

Global Markets Research

Daily Market Highlights

31 Oct: US stocks turned green on Apple

Sea of red in the Asian tech stocks and commodities market

US core-PCE prices ticked up less than expected, stable consumer indicators

BOJ maintained key rate, stuck to dovish tone

- Stocks rose on Friday despite a tumble in Amazon shares after economic data pointed to slowing inflation and steady consumer sentiments. Dow Jones Industrial Average closed 2.6% d/d higher, the S&P 500 added 2.5% d/d while Nasdaq jumped 2.9% d/d. Amazon plunged by 6.8% after the company posted weaker-than-expected quarterly revenue and issued disappointing 4Q sales guidance. Apple shares ended up 7.6% as the tech giant beat Wall Street estimates for quarterly earnings and revenue.
- European equities pared earlier losses as investors continue to digest ECB's decision to raise its interest rate by 75bps. Stoxx 600 closed 0.1% d/d higher while the DAX clocked a 0.2% gain. In Asia, Hang Seng fell 3.7% d/d, leading losses in the region. Specifically, semiconductor stocks in Asia slumped after U.S. Under Secretary of Commerce Alan Estevez said he expects an imminent deal with allies to limit some chip-related exports to China. Samsung Electronics dropped more than 3%, while SK Hynix tanked 7.3%. Taiwan Semiconductor Manufacturing Company slid 1.6%.
- US treasury yields climbed as both the Federal Reserve's favourite gauge of inflation and an employment cost index for September pretty much matched forecasts, signalling nothing to derail the central bank from delivering another 75bps hike in the next FOMC meeting on 3-Nov. The yield on the 10-year Treasury stood at about 4.01%, up 9bps. The 2-year Treasury was up by 14bps to 4.41%, bear flattening the curve.
- The Dollar Index gained 0.1% d/d to 110.75, as the greenback rebounded after US data showed inflation was still running hot. The JPY fell 0.9% d/d to 147.60 against the dollar after the Bank of Japan bucked the trend among other major central banks and stuck with ultra-low interest rates, Sterling rose 0.4% against the dollar, adding to gains earlier in the week, while the EUR was essentially unchanged. Ringgit depreciated 0.2% d/d to close at 4.7250 while the SGD weakened marginally by 0.1% to 1.4108.
- Oil prices eased more than 1.0% after top crude importer China widened its COVID-19 curbs. Brent fell 1.2% d/d to settle at \$95.77/barrel. U.S. West Texas Intermediate fell 1.3% d/d to \$87.90/barrel. Gold also declined 1.0% d/d as the dollar and bond yields climbed after data showed underlying inflation pressures remained high, cementing expectations around another hefty rate hike from the U.S. Federal Reserve this week.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	32,861.80	2.59
S&P 500	3,901.06	2.46
NASDAQ	11,102.45	2.87
Stoxx Eur 600	410.76	0.14
FTSE 100	7,047.67	-0.37
Nikkei 225	27,105.20	-0.88
Hang Seng	14,863.06	-3.66
Straits Times	3,059.19	1.46
KLCI 30	1,447.31	-0.47
FX		
Dollar Index	110.75	0.15
EUR/USD	0.9965	0.01
GBP/USD	1.1615	0.43
USD/JPY	147.60	0.90
AUD/USD	0.6411	-0.64
USD/CNH	7.2672	0.20
USD/MYR	4.7250	0.15
USD/SGD	1.4108	0.11
Commodities		
WTI (\$/bbl)	87.90	-1.32
Brent (\$/bbl)	95.77	-1.23
Gold (\$/oz)	1,644.80	-0.96
Copper (\$\$/MT)	7,550.00	-2.76
Aluminum(\$/MT)	2,211.50	-3.32
CPO (RM/tonne)	3,963.00	0.18

Source: Bloomberg, HLBB Global Markets Research

US core PCE ticked up less than expected to 5.1% y/y; other consumer indicators were stable

- Personal income increased 0.4% m/m in September, the same pace as the previous month. Personal spending was also stable at +0.6% m/m. More importantly, the PCE price index and core PCE-price index was unchanged at +0.3% m/m and +0.5% m/m respectively. The latter accelerated by 0.2ppts to +5.1% y/y, significantly above Federal Reserve's target of 2.0%, reaffirming expectations of another 75bps Fed rate hike this week.
- The latest University of Michigan's consumer sentiment confirmed the preliminary reading of 59.5, inching up just 1.3 points m/m. With sentiment sitting only 10 index points above the all-time low reached in June, the recent news of a slowdown in consumer spending in 3Q comes as no surprise. On a positive note, buying conditions for durables surged 23% on the basis of easing prices and supply constraints. In terms of inflation expectations, the median expected year-ahead inflation rate rose to 5.0%. In September, long run inflation expectations fell below the narrow 2.9-3.1% range for the first time since July 2021, but since then expectations have reverted to 2.9%. Uncertainty over inflation expectations remains elevated, indicating that inflation expectations are likely to remain unstable in the months ahead.
- Pending home sales trailed off for the fourth consecutive month in September, slumping 10.2% m/m. Pending transactions slid 31.0% y/y and new home listings were down compared to one year ago since many homeowners are unwilling to give up the rock-bottom mortgage rates that they locked in prior to this year.
- U.S. labor costs increased solidly in 3Q, but private sector wage growth slowed considerably, suggesting inflation had either peaked or was close doing so. The Employment Cost Index, the broadest measure of labor costs, rose 1.2% last quarter after increasing 1.3% in 2Q. Economists polled had forecast the ECI rising 1.2%. On a y/y basis, labor costs increased 5.0% after advancing 5.1% in 2Q. Among private industry occupational groups, compensation cost increased for the 12-month period ending September ranged from 4.3% for natural resources, construction, and maintenance occupations and management, professional, and related occupations to 7.7% for service occupations.

Euro Economic Sentiment and Employment Expectations declined further

- In October, the Economic Sentiment Indicator (ESI) declined further in the euro area by 1.1 points to 92.5, its lowest since November 2020, respectively. The Employment Expectations Indicator (EEI) also decreased 1.7 points to 104.9, but remained well above its long-term average. In the EU, the ESI's decrease in October resulted from marked deteriorations in services and manufacturing confidence, only partly offset by slight improvements in retail trade and consumer confidence (+0.7). Confidence in construction remained broadly stable.

Flat consumer confidence in New Zealand

- The ANZ-Roy Morgan Consumer Confidence Index was (again) unchanged at 85.4 in October at subdued levels. Households are finding sharp increases in the cost of living hard to deal with, but excellent job security and strong wage growth are helping. The proportion of people who believe it is a good time to buy a major household item, the best indicator for retail spending, rose 3 points to -22%. Inflation expectations were little changed

at 5.0%, versus 5.1% last month. It's very unusual for businesses' inflation expectations to sit higher than consumer inflation expectations.

Australia posted strongest PPI increase y/y since 1998

- Producer prices (excluding exports) in Australia quickened to 1.9% q/q and 6.4% y/y in 3Q (2Q: +1.4% q/q and +5.6% y/y). The latter is the strongest increase since the series began in September 1998. On a q/q basis, the main contributors to PPI were output of building construction (+2.8%) due to continuing skilled labour shortages, high freight costs and timber and metal supply constraints. Heavy and civil engineering construction rose +2.6% q/q due to an increase in prices for diesel and construction materials, ongoing labour shortages and high import costs. Electricity, gas and water increased +9.8% q/q due to annual electricity supply costing reviews, reflecting high wholesale electricity costs and large rises in electricity futures prices.

Japan stuck to its dovish stance

- Japan's unemployment rate rose slightly to 2.6% in September from 2.5% recorded in August. Separately, the country's job availability ratio increased to 1.34 in September, marking its highest since March 2020.
- Core consumer prices in Tokyo, a leading indicator of nationwide figures, rose 3.4% y/y in October. This is the fastest annual pace since 1989 in a sign of broadening inflationary pressure. As it is, inflation in the Tokyo area thus exceeded the central bank's 2% target for five straight months.
- The data came as the Bank of Japan meets for a two-day policy meeting when the Bank of Japan (BOJ) unanimously voted to maintain its policy rate unchanged at -0.1%. In its outlook, BOJ also revised its growth rates for fiscal 2022 lower to 1.8%- 2.1% (July forecast: 2.2%-2.5%) due to effects of the spread of COVID-19 as well as slowdown in overseas economies. The projected core inflation rate, on the other hand, is revised upwards to 1.8%-1.9% (July forecast: 1.2%-1.4%) due to pass-through to consumer prices of cost increases led by higher import prices.

Vietnam's inflation rate accelerated to 4.3%, export growth halved

- Vietnam's inflation rate accelerated to 4.3% y/y and 0.2% m/m in October. This is compared to +3.9% y/y in the previous month but slightly lower than consensus estimate of +4.4% y/y. Core inflation stood at 4.5% y/y and 0.5% m/m.
- Export growth, meanwhile, halved to +4.5% y/y in October (Sept: +10.3% y/y) as exports of electronics and computers as well as telephones slowed to +0.4% y/y (August: +3.7% y/y) and -6.8% y/y (August: +2.7% y/y) respectively. Exports of machineries were, nevertheless, stable at +33.9% y/y (August: +34.5% y/y). Import growth however picked up albeit less than expected to 7.1% y/ in October (Sept: +6.4% y/y) while trade surplus widened to \$2.27bn (Sept: \$1.14bn).

Singapore employment momentum maybe easing

- There are early signs that Singapore's labour market improvement is slowing as economic growth eases, even though employment continued to grow in 3Q. Total employment excluding migrant domestic workers rose 75,600 q/q after 2Q's +66,500. Resident employment increases were mainly in outward-oriented sectors such as Information & Communications, Professional Services, and Financial Services. After trending down to a 6-year low in August 2022, unemployment rate edged up slightly in

September to 2.0% (Aug: 1.9%), but remained within pre-COVID levels. Retrenchments increased, but remained a step down from pre-COVID levels at 1,600 in 3Q 2022. The retrenchments were from Manufacturing, mainly due to discontinuation of product lines, as well as Services, mainly due to business reorganisation or restructuring. In the coming months, a deteriorating global economic environment, higher global inflation, as well as geopolitical tensions, is expected to impact the labour market.

House View and Forecasts

FX	This Week	4Q-22	1Q-23	2Q-23	3Q-23
DXY	108-113	115.00	112.70	110.45	110.00
EUR/USD	0.98-1.03	0.95	0.97	0.98	0.98
GBP/USD	1.13-1.18	1.10	1.10	1.11	1.12
USD/JPY	142-148	147.00	146.00	145.00	144.00
AUD/USD	0.63-0.66	0.62	0.63	0.64	0.64
USD/MYR	4.68-4.74	4.68	4.64	4.62	4.60
USD/SGD	1.40-1.42	1.45	1.44	1.42	1.40

Rates, %	Current	4Q-22	1Q-23	2Q-23	3Q-23
Fed	3.00-3.25	4.25-4.50	4.25-4.50	4.25-4.50	4.25-4.50
ECB	2.00	2.75	2.75	2.75	2.75
BOE	2.25	3.25	3.25	3.25	3.25
BOJ	-0.10	-0.10	-0.10	-0.10	-0.10
RBA	2.60	3.10	3.10	3.10	3.10
BNM	2.50	2.75	3.00	3.00	3.00

Source: HLBB Global Markets Research

Up Next

Date	Events	Prior
31-Oct	JN Industrial Production MoM (Sep P)	3.40%
	JN Retail Sales MoM (Sep)	1.40%
	AU Melbourne Institute Inflation MoM (Oct)	0.50%
	AU Retail Sales MoM (Sep)	0.60%
	AU Private Sector Credit MoM (Sep)	0.80%
	CH Composite PMI (Oct)	50.9
	JN Consumer Confidence Index (Oct)	30.8
	JN Housing Starts YoY (Sep)	4.60%
	HK GDP YoY (3Q A)	-1.30%
	UK Net Consumer Credit (Sep)	1.1b
	UK Consumer Credit YoY (Sep)	7.00%
	EC CPI Estimate YoY (Oct)	10.00%
	EC GDP SA YoY (3Q A)	4.10%
	US MNI Chicago PMI (Oct)	45.7
	US Dallas Fed Manf. Activity (Oct)	-17.2
1-Nov	AU CoreLogic House Px MoM (Oct)	-1.40%
	NZ Building Permits MoM (Sep)	-1.60%
	AU S&P Global Australia PMI Mfg (Oct F)	52.8
	MA S&P Global Malaysia PMI Mfg (Oct)	49.1
	VN S&P Global Vietnam PMI Mfg (Oct)	52.5
	JN Jibun Bank Japan PMI Mfg (Oct F)	50.7
	CH Caixin China PMI Mfg (Oct)	48.1
	AU RBA Cash Rate Target (37196)	2.60%
	HK Retail Sales Value YoY (Sep)	-0.10%
	UK S&P Global/CIPS UK Manufacturing PMI (Oct F)	45.8
	US S&P Global US Manufacturing PMI (Oct F)	49.9
	US JOLTS Job Openings (Sep)	10053k
	US Construction Spending MoM (Sep)	-0.70%
	US ISM Manufacturing (Oct)	50.9

Source: Bloomberg

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