

1 March 2023

Global Markets Research

Daily Market Highlights

1 March: US equities wrapped up February in losses

Choppy markets amid sticky inflationary concerns and positive corporate earnings

DXY rebounded to 104.87; 10-year UST yield approached 4.00% but closed flat at 3.93%

US consumer confidence unexpectedly fell; home prices posted smaller y/y increase

- Wall Street was choppy, with late selling saw the Dow Jones dipping 0.7% d/d, S&P 500 dropping 0.3% d/d and NASDAQ sliding 0.1% d/d as concerns over sticky inflation offset positive earnings surprises from Target and Chevron. In Europe, Stoxx 600 closed down by 0.3% d/d, while FTSE 100 fell 0.7% d/d. Specifically, Santander closed 4.8% d/d higher after announcing plans to raise its return on tangible equity ratio in the coming years. In Asia, Nikkei 225 edged up by 0.1% d/d, while Hang Seng fell 0.8% d/d.
- The benchmark 10-year briefly approached 4% after inflation updates from France, Spain and UK all pointed to no signs of let-up in inflation but pared its losses later in the day. The 10-year closed the day little changed, up less than 1bps at 3.93%, while the 2-year yield closed up 4bps to 4.81%. In Europe, Germany's 10-year yield advanced 7bps to 2.65%, while Britain's 10-year yield gained 2bps to 3.82%.
- The Dollar Index closed 0.2% d/d higher at 104.87. Both the EUR and GBP weakened by 0.3% d/d and 0.4% d/d respectively. Over in Asia, JPY closed flat at 136.17, while CNH strengthened marginally by 0.1% d/d. Both the MYR and SGD weakened by 0.1%-0.2% d/d each to 4.4873 and 1.3484 respectively.
- In the commodities market, oil wrapped up the last day of the month up 1.8% d/d. WTI closed at \$77.05/barrel, while Brent closed at \$83.89/barrel. Price of gold also increased 0.7% d/d to \$1836.70/barrel.

US consumer confidence unexpectedly declined; home prices fell m/m but still up on y/y

- The Conference Board Consumer Confidence Index unexpectedly decreased for the second month in February to 102.9 (Jan: 106.0). Worsening expectations weighed down on the index. Notably, the Expectations Index has now fallen well below 80, the level which often signals a recession within the next year.
- CoreLogic S&P Case-Shiller Index fell 4.4% m/m but was still up 5.8% y/y in December (Nov: +7.6% y/y), marking the eight straight month of decelerating annual home price gains. With the quick decline in home price growth over the year, December's annual gain was the slowest since August 2020. Separate data from FHFA also showed that home prices also fell, but less than expected by 0.1% m/m for the same month (Nov: -0.1% m/m). Similarly, prices were up 6.6% y/y.
- Trade deficit widened more than expected to the most in 3 months at -\$91.5bn in January (Dec: \$89.7bn). A rebound in domestic demand boosted imports for

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	32,656.70	-0.71
S&P 500	3,970.15	-0.30
NASDAQ	11,455.54	-0.10
Stoxx Eur 600	461.11	-0.32
FTSE 100	7,876.28	-0.74
Nikkei 225	27,445.56	0.08
Hang Seng	19,785.94	-0.79
Straits Times	3,262.63	-0.02
KLCI 30	1,454.19	-0.09
FX		
Dollar Index	104.87	0.19
EUR/USD	1.0576	-0.31
GBP/USD	1.2022	-0.35
USD/JPY	136.17	-0.01
AUD/USD	0.6729	-0.15
USD/CNH	6.9546	-0.09
USD/MYR	4.4873	0.20
USD/SGD	1.3484	0.14
Commodities		
WTI (\$/bbl)	77.05	1.81
Brent (\$/bbl)	83.89	1.75
Gold (\$/oz)	1,836.70	0.65
Copper (\$\$/MT)	8,961.00	1.81
Aluminum(\$/MT)	2,373.00	0.42
CPO (RM/tonne)	4,150.00	-0.68

Source: Bloomberg, HLBB Global Markets Research

autos and consumer goods, sending total imports accelerating to +3.4% m/m (Dec: +1.9% m/m). Exports, meanwhile, rebounded to grow by 4.2% m/m (Dec: -1.7% m/m) supported by consumer goods. Data also showed that wholesale inventories unexpectedly declined 0.4% m/m (Dec: +0.1% m/m), while retail inventories decelerated less than forecast to +0.3% m/m (Dec: +0.4% m/m).

- Chicago Business Barometer unexpectedly declined to 43.6 in February (Jan: 44.3). This is the lowest since November 2022 and signalled a sixth consecutive month of contractionary activity. Production, employment and prices paid indicators declined, with production recording the steepest deterioration.
- Dallas Fed Services Activity Index continued to improve to -9.3 in February (Jan: -15.0). Perceptions of broader business conditions continued to worsen for the month, though pessimism has been waning. The revenue index, a key measure of state service sector conditions, edged up 1.7 points to 6.6, suggesting a slight pickup in activity growth.
- Richmond Fed's manufacturing index unexpectedly worsened to -16 (Jan: -11). Of its three component indices, shipments saw the largest change, declining notably from -3 to -15 in February. The employment index declined from -3 to -7, while the new orders index remained unchanged at -24.

Australia's retail sales rebounded strongly by 1.9%

- Australia's retail sales rebounded strongly and more than expected by +1.9% m/m in January (Dec: -4.0% m/m). This comes after a large rise of 1.7% m/m in November. As it is, turnover for the past 3 months (Nov 2022-Jan 2023) has been volatile but was at a similar level to September 2022, and on average, growth has been flat.
- Separate data also showed that consumer credit also increased more than expected by +0.4% m/m in January (Dec: +0.3% m/m). The acceleration was driven by higher lending to businesses as well as other-personal credit.
- CoreLogic's Home Value Index recorded its smallest fall since interest rates started rising in May last year, at just -0.1% m/m in February (Jan: -1.1%). Sydney property prices specifically, a bellwether for the Australian property market, showed the first increase in 13 months. Despite this, it's still too early to call a trough in the market given expectations of further rate hikes.
- The S&P Global PMI rose to 50.5 in February (Jan: 50.0). As it is, Australian manufacturing activity has stabilised over the summer starting 2023 on a solid footing. Most activity indicators such as output and new orders are hovering around the neutral 50 level while employment and pricing indicators remained strong.

Japan's housing starts jumped 6.6% y/y and 5.5% m/m

- Japan's housing starts jumped more than expected by 6.6% y/y and 5.5% m/m in January (Dec: -1.7% y/y and +0.5% m/m).

Vietnam's inflation rate softened to 4.3%; IPI and export growth rebounded

- Vietnam's inflation decelerated more than expected to +4.3% y/y in February (Jan: +4.9% y/y). Nevertheless, prices were up a strong +0.5% m/m (Jan: +0.5% m/m) driven by higher petrol and domestic gas prices. Rental housing prices also continued to increase due to high demand after the Lunar New Year.
- The Index of Industrial Production rebounded to grow by 3.6% y/y in February (Jan: -8.0% y/y) with positive and stronger growth recorded in all sub-indices. This is in line with the unexpected rebound in export growth for the month to +11.0% y/y (Jan: -21.3% y/y). Exports were driven by higher shipment for

agriculture, chemical and plastic products, textiles and footwear, iron and steel as well as telephones, camera, recording equipment and machineries.

- On the consumers' side, retail sales grew at a softer pace of +13.2% y/y (Dec: 20.0% y/y). Specifically, tourism-related sales remained strong, albeit at a softer pace of +94.7% y/y (Dec: +113.4% y/y).

House View and Forecasts

FX	This Week	1Q-23	2Q-23	3Q-23	4Q-23
DXY	103-105	105	104	103	102
EUR/USD	1.05-1.07	1.05	1.06	1.06	1.06
GBP/USD	1.18-1.20	1.20	1.21	1.21	1.21
USD/JPY	133-135	134	132	132	131
AUD/USD	0.67-0.69	0.69	0.69	0.70	0.71
USD/MYR	4.45-4.50	4.40	4.36	4.30	4.25
USD/SGD	1.33-1.35	1.33	1.31	1.29	1.27

Rates, %	Current	1Q-23	2Q-23	3Q-23	4Q-23
Fed	4.50-4.75	4.75-5.00	5.25-5.50	5.25-5.50	5.25-5.50
ECB	3.00	3.50	3.75	3.75	3.75
BOE	4.00	4.25	4.25	4.25	4.25
BOJ	-0.10	-0.10	-0.10	-0.10	-0.10
RBA	3.35	3.60	3.60	3.60	3.60
BNM	2.75	3.00	3.00	3.00	3.00

Source: HLBB Global Markets Research

Up Next

Date	Events	Prior
1-March	AU GDP SA QoQ (4Q)	0.60%
	JN Jibun Bank Japan PMI Mfg (Feb F)	47.4
	MA S&P Global Malaysia PMI Mfg (Feb)	46.5
	VN S&P Global Vietnam PMI Mfg (Feb)	47.4
	AU CPI YoY (Jan)	8.40%
	CH Manufacturing PMI (Feb)	50.1
	CH Non-manufacturing PMI (Feb)	54.4
	CH Caixin China PMI Mfg (Feb)	49.2
	EC S&P Global Eurozone Manufacturing PMI (Feb F)	48.5
	UK Net Consumer Credit (Jan)	0.5b
	UK S&P Global/CIPS UK Manufacturing PMI (Feb F)	49.2
	US MBA Mortgage Applications	-13.30%
	US S&P Global US Manufacturing PMI (Feb F)	47.8
	US Construction Spending MoM (Jan)	-0.40%
	US ISM Manufacturing (Feb)	47.4
2-March	JN Capital Spending YoY (4Q)	9.80%
	AU Building Approvals MoM (Jan)	18.50%
	JN Consumer Confidence Index (Feb)	31
	HK Retail Sales Value YoY (Jan)	1.10%
	EC CPI Estimate YoY (Feb)	8.60%
	EC Unemployment Rate (Jan)	6.60%
	SI Purchasing Managers Index (Feb)	49.8
	SI Electronics Sector Index (Feb)	49.1
	US Nonfarm Productivity (4Q F)	3.00%
	US Unit Labor Costs (4Q F)	1.10%
	US Initial Jobless Claims	192k
	US Continuing Claims	1654k

Source: Bloomberg

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