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Global Markets Research

Daily Market Highlights

3 Feb: S&P 500 rose to the highest level in five months

NASDAQ jumped 3.3%; Meta led tech comeback

UST yield steadier; DXY bounced back from post-FOMC low

ECB, BOE raised rates by 50bps each and maintained hawkish tones

- The S&P 500 rose to its highest level in five months on Thursday as better-than-expected Meta earnings report further improved sentiment around technology shares. The broader market index jumped 1.5%, d/d. Meanwhile, the tech-heavy Nasdaq Composite advanced 3.3% as META shares surged 23.3% d/d. Dow Jones Industrial Average underperformed, dipping 0.1% d/d, dragged lower by Merck shares. The pharmaceutical firm issued a weak outlook in its latest earnings results, despite beating estimates.

- European markets closed higher after the ECB and BOE delivered a 50bps rate hike each. Stoxx 600 index closed 1.4% d/d higher, while FTSE 100 was up 0.8% d/d. In Asia, Nikkei 225 traded 0.2% d/d higher while Hang Seng fell 0.5% d/d.

- Treasuries yields closed the day steady, after paring the earlier rally that saw rates hit their lowest since September. The 10-year yield edged down by about 2bps to 3.39% while the 2-year yields dipped less than 1bps to 4.10%.

- The Dollar index rose the most in nearly a month, rising 0.5% d/d to close at 101.75. EUR and GBP weakened by 0.7% d/d and 1.2% d/d vis-à-vis USD. In Asia, CNH depreciated by 0.3% d/d against USD, while JPY appreciated by 0.2% d/d. SGD weakened 0.3% d/d against greenback to close at 1.3098 while MYR strengthened 0.6% d/d to 4.2467.

- Oil prices struggled after traders piled into growth stocks after the Federal Reserve signalled progress in taming inflation. Build-up in stockpile and lacklustre demand also acted as headwinds. Prices of West Texas Intermediate (WTI) and Brent fell by 0.7% d/d and 0.8% d/d respectively. Similarly, the price of gold also dipped 0.6% d/d during the day.

ECB raised key rates by 50bps and signalled another 50bps in March

- As expected, the European Central Bank (ECB) raised the three key ECB interest rates by 50bps. Accordingly, the interest rates on the main refinancing, the marginal lending facility and the deposit facility will be increased to 3.00%, 3.25% and 2.50% respectively wef 8 February. In view of the underlying inflation pressures, the ECB intends to raise its key interest rates by another 50bps in March before evaluating the subsequent path of the monetary policy.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	34,053.94	-0.11
S&P 500	4,179.76	1.47
NASDAQ	12,200.82	3.25
Stoxx Eur 600	459.20	1.35
FTSE 100	7,820.16	0.76
Nikkei 225	27,402.05	0.20
Hang Seng	21,958.36	-0.52
Straits Times	3,363.68	-0.41
KLCI 30	1,489.80	0.29
FX		
Dollar Index	101.75	0.53
EUR/USD	1.0910	-0.73
GBP/USD	1.2225	-1.22
USD/JPY	128.68	-0.23
AUD/USD	0.7077	-0.84
USD/CNH	6.7377	0.27
USD/MYR	4.2467	-0.64
USD/SGD	1.3098	0.26
Commodities		
WTI ($/bbl)	75.88	-0.69
Brent ($/bbl)	82.17	-0.81
Gold ($/oz)	1,916.30	-0.60
Copper ($$/MT)	9,052.50	-0.38
Aluminum($/MT)	2,617.00	-0.55
CPO (RM/tonne)	3,800.00	-3.06

Source: Bloomberg, HLBB Global Markets Research

BOE increased Bank Rate by 50bps to 4.00% in a split vote

- To meet its 2% inflation target, the Bank of England's Monetary Policy Committee (MPC) voted by a majority of 7–2, to increase the Bank Rate by 50bps to 4.00%. Two members preferred to maintain Bank Rate at 3.50%.
- Key highlights from the statement include: 1) In the latest model forecast, the market-implied path for Bank Rate is for rates to rise to around 4.25% in mid-2023 before falling to just over 3.25% in three years' time. 2) The median of Market Participants Survey's (MaPS) expectations for CPI inflation one and two years ahead softened to 3.5% and 2.5% respectively. 3) GDP is expected to decline by 0.1% in 1Q of 2023.

Mixed US labour market data; factory orders jumped on nondefense aircraft

- According to Challenger, Gray & Christmas, Inc., US-based employers announced the most job cuts since 2020 at 102,943 in January (Dec, 43,651). On a y/y basis, job cuts surged 440.0% y/y (Dec: +129.1% y/y). The technology sector announced the most cuts, followed by retailers and construction industries. At the same time, employers also announced plans to hire 32,764 workers (Dec: +51,693), primarily in the entertainment and leisure industry.
- Separate data showed that jobless claims unexpectedly fell 3k to 183k for the week ending January 28 (Jan 21: -6k to 186k). This is the fourth decline in 5 weeks. In tandem with this, continuing claims fell 11k to 1655k for the week ending January 21 (Jan 14: +11k to 1666k).
- US worker productivity exceeded expectations and rose the most in a year while unit labour costs decelerated. Productivity rose 3.0% (3Q: +1.4%), while unit labour costs decelerated more than expected to +1.1% q/q (3Q+ 2.0% q/q), the weakest in nearly 2 years.
- New orders for manufactured goods rebounded sharply but less than expected at +1.8% m/m in December (Nov: -1.9% m/m). The gain was driven by a jump in orders for nondefense aircraft and parts. Excluding the broader transportation category, factory orders fell 1.2% (Dec: -1.2% m/m). Specifically, the decline was led by orders for consumers which fell 1.8% m/m (Dec: -2.1% m/m). Orders for durable goods, on the other hand, rose 5.6% (Nov: - 1.8% m/m).

Singapore's PMI unexpectedly improved to 49.8

- Singapore's PMI unexpectedly improved to 49.8 in January (Dec: 48.7) but remained in contraction territory for the fifth straight month. Electronics sector PMI edged up 0.2 points to 49.1 (Dec: 48.9).

Australia's business confidence plunged 10 points, building approvals rose more than forecast

- NAB's Business confidence plunged 10 points to -1 in 4Q (3Q: +9). Confidence turned negative in most industries, but remained positive in transport & utilities and recreation & personal services.
- Building approvals rose more than forecast to +18.5% m/m in December (Nov: -8.8% m/m). The increase was driven primarily to a number of large apartment developments approved in New South Wales and Victoria.

House View and Forecasts

FX	This Week	1Q-23	2Q-23	3Q-23	4Q-23
DXY	101-103	98.00	96.04	96.04	96.04
EUR/USD	1.08-1.12	1.10	1.11	1.11	1.11

GBP/USD	1.23-1.27	1.26	1.27	1.27	1.27
USD/JPY	128-131	130	128	128	128
AUD/USD	0.69-0.73	0.70	0.72	0.72	0.72
USD/MYR	4.20-4.24	4.31	4.28	4.28	4.28
USD/SGD	1.30-1.32	1.32	1.30	1.30	1.30

Rates, %	Current	1Q-23	2Q-23	3Q-23	4Q-23
Fed	4.50-4.75	4.75-5.00	4.75-5.00	4.75-5.00	4.75-5.00
ECB	3.00	3.50	3.50	3.50	3.50
BOE	4.00	4.25	4.25	4.25	4.25
BOJ	-0.10	-0.10	-0.10	-0.10	-0.10
RBA	3.10	3.35	3.35	3.35	3.35
BNM	2.75	3.00	3.00	3.00	3.00

Source: HLBB Global Markets Research

Up Next

Date	Events	Prior
3-Feb	JN Jibun Bank Japan PMI Services (Jan F)	52.4
	SI S&P Global Singapore PMI (Jan)	49.1
	HK S&P Global Hong Kong PMI (Jan)	49.6
	CH Caixin China PMI Services (Jan)	48
	SI Retail Sales YoY (Dec)	6.20%
	HK Retail Sales Value YoY (Dec)	-4.20%
	EC S&P Global Eurozone Services PMI (Jan F)	50.7
	UK S&P Global/CIPS UK Services PMI (Jan F)	48.0
	EC PPI MoM (Dec)	-0.90%
	US Change in Nonfarm Payrolls (Jan)	223k
	US Unemployment Rate (Jan)	3.50%
	US Average Hourly Earnings MoM (Jan)	0.30%
	US S&P Global US Services PMI (Jan F)	46.6
	US ISM Services Index (Jan)	49.6
6-Feb	AU Melbourne Institute Inflation MoM (Jan)	0.20%
	AU Retail Sales Ex Inflation QoQ (4Q)	0.20%
	EC Sentix Investor Confidence (Feb)	-17.5
	UK S&P Global/CIPS UK Construction PMI (Jan)	48.8
	EC Retail Sales MoM (Dec)	0.80%

Source: Bloomberg

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