

3 March 2023

## Global Markets Research

### Daily Market Highlights

## 3 March: Fed's Bostic spurred relief rally

**Bostic supports raising rates in 25bps increments; Fed could pause in summer**

**Waller looking at terminal rate of 5.1%-5.4% even if payroll and inflation data cool**

**30-yr UST yield touched 4.00% on jump in labour costs and lower jobless claims**

- US stocks snapped its two days slump after Atlanta Federal Reserve President Raphael Bostic said that he “still very firmly” supports raising rates in quarter point increments as officials determine just how high rates should rise. S&P 500 climbed the most in more than two weeks at +0.8% d/d. The Nasdaq Composite climbed 0.7% d/d while Dow Jones popped 1.1% d/d.

Federal Reserve Governor Christopher Waller, meanwhile, said that even if payroll and inflation data cool after the hot prints in January, he would endorse raising the target range for the fed funds rate a couple more times to a projected terminal rate between 5.1% and 5.4%, Waller's comments followed those by Bostic.

- European stock markets closed higher, recovering earlier losses after key Eurozone inflation data came in above expectations. Stoxx 600 ended up 0.5% d/d, while FTSE 100 added 0.4% d/d. Asia markets were mostly lower with Nikkei 225 and Hang Seng slipping 0.1% and 0.9% d/d respectively.
- The 30-year Treasury yield topped 4.00% for the first time since November as a hefty jump in unit labour costs and further dip in jobless claims weighed down on Treasuries. The 30-year yield closed the day up 4bps at 3.99%, 10-year yield gained 6bps to 4.06%, and the 2-year yield was up less than 1bps to 4.89%.
- The Dollar Index firmed up by 0.5% d/d to 105.03 after the US jobs data pointed to a still strong labour market. EUR slid 0.7% d/d after the inflation data eased slightly but remained elevated. GBP was held back by earlier remarks from BOE Governor Andrew Bailey, who said “nothing is decided” on future rate increases. The currency closed the day 0.7% d/d weaker. In Asia, JPY weakened 0.4% d/d, while CNH depreciated by 0.6% d/d. Investors are looking ahead to China's National People's Congress meeting, which begins on Sunday, for guidance on policy support for the post-COVID recovery. Both the MYR and SGD also depreciated by 0.1% d/d and 0.4% d/d respectively to 4.4753 and 1.3476.
- Oil eked out small gains of +0.5%-0.6% d/d, amidst evidence of China's rebound and fresh signals from Bostic that he expects Fed would be in position to pause rate hikes this summer. Price of gold, meanwhile, slid 0.3% d/d on a firmer USD.

#### Key Market Metrics

	Level	d/d (%)
<b>Equities</b>		
Dow Jones	33,003.57	1.05
S&P 500	3,981.35	0.76
NASDAQ	11,462.98	0.73
Stoxx Eur 600	460.02	0.51
FTSE 100	7,944.04	0.37
Nikkei 225	27,498.87	-0.06
Hang Seng	20,429.46	-0.92
Straits Times	3,234.90	-0.62
KLCI 30	1,455.49	0.36
<b>FX</b>		
Dollar Index	105.03	0.52
EUR/USD	1.0597	-0.67
GBP/USD	1.1946	-0.69
USD/JPY	136.77	0.43
AUD/USD	0.6730	-0.46
USD/CNH	6.9210	0.61
USD/MYR	4.4753	0.07
USD/SGD	1.3476	0.38
<b>Commodities</b>		
WTI (\$/bbl)	78.16	0.60
Brent (\$/bbl)	84.75	0.52
Gold (\$/oz)	1,840.50	-0.27
Copper (\$\$/MT)	8,958.50	-1.56
Aluminum(\$/MT)	2,399.50	-1.32
CPO (RM/tonne)	4,150.00	0.00

Source: Bloomberg, HLBB Global Markets Research

#### **US initial jobless claims fell for the second week; unit labour cost for 4Q revised upwards**

- In the week ending Feb 25, initial claims unexpectedly fell 2k to 190k (Feb 18: -3k to 192k). This marks the second week of decline. In tandem with this, continuing claims also eased by 5k to 1655k for the week ended Feb 18 (Feb 11: -31k to 1660k).
- In another sign of tightness in the labour market, the final unit labour costs were revised significantly upwards to +3.2% q/q in 4Q (3Q: +1.1% q/q). Productivity, meanwhile, grew by +1.7% q/q for the same quarter (3Q: +3.0% q/q).

#### **Eurozone's inflation slowed less than expected at +8.5% as core quickened**

- Eurozone's inflation rate slowed less than anticipated in February as core prices accelerated. Headline inflation stood at +8.5% y/y (Jan: +8.6% y/y) as core prices quickened to +5.6% y/y (Jan: +5.3% y/y). As it is, Christine Lagarde has said on Thursday that hikes may need to continue, adding that inflation isn't on a stable decline. She reaffirmed the ECB's commitment to bring inflation back to 2%.
- Unemployment rate unexpectedly held steady at 6.7% in January. Consensus had anticipated the jobless rate to improve slightly to 6.6%.

#### **Australia's building approvals tumbled 27.6%**

- Australia's buildings approved plunged more than expected by 27.6% m/m in January (Dec: +15.3% m/m). Permits for private sector houses, specifically, fell 13.8% m/m (Dec: -2.1% m/m). This is the fifth consecutive drop and the lowest since June 2012.
- The Judo Bank Australia Services PMI Business Activity Index (F) was revised upwards to 50.7 in February (Jan: 48.6). This marks the first expansion for the service sector for the first time in five months and highest since July 2022. Hiring activity continued at a solid pace while price pressures eased. That said, business confidence declined on the back of lingering concerns over costs and the economic outlook.

#### **Japan's consumer confidence edged up by 0.1ppts; Unemployment rate dipped to 2.4%; Tokyo's inflation eased sharply to 3.4%**

- Japan's consumer confidence rose less than expected to 31.1 in February (Jan: 31.0). Amongst the sub-indices, the improvement in income growth was offset by contractions in overall livelihood and willingness to buy durable goods.
- Unemployment rate unexpectedly edged down to 2.4% for the month of Jan (Dec: 2.5%). Other data also showed tightness in the labour market, with the job-to-applicant ratio remained steady and high at 1.35.
- Tokyo's inflation decelerated for the first time in more than a year, softening sharply albeit less than forecast at +3.4% y/y in February (Jan: +4.4% y/y). The lower inflation essentially reflected impact from Prime Minister Fumio Kishida's latest stimulus package, which includes a series of utilities subsidies.

#### **Hong Kong retail sales rose, tourism expected to add to cheer going forward**

- Hong Kong's retail sales accelerated more than expected by +7.0% y/y in January (Dec: +1.2% y/y) as consumer sentiment improved and was boosted by the early arrival of the Lunar Year. Consequently, sales were driven by jewellery, watches, clocks, and valuable gifts as well clothing, footwear and accessories. Moving forward, further relaxation of pandemic-related rules is

also expected to provide additional support to tourism and thus, benefit the retail sector.

### Singapore's PMI touched 50

- February's PMI unexpectedly edged up to 50.0 (Jan: 49.8) after 5 months of continuous contraction. The improved PMI reading was attributed to an improvement in the new orders index, an expansion in the factory output index, and a slower contraction in the new exports index. The Electronics Sector PMI recorded the second month of slower contraction at 49.3 (Jan: 49.1).

### 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
3-March	AU Home Loans Value MoM (Jan)	-4.30%
	JN Jibun Bank Japan PMI Services (Feb F)	53.6
	SI S&P Global Singapore PMI (Feb)	51.2
	HK S&P Global Hong Kong PMI (Feb)	51.2
	CH Caixin China PMI Services (Feb)	52.9
	SI Retail Sales SA MoM (Jan)	1.30%
	EC S&P Global Eurozone Services PMI (Feb F)	53.0
	UK S&P Global/CIPS UK Services PMI (Feb F)	53.3
	EC PPI YoY (Jan)	24.60%
	US S&P Global US Services PMI (Feb F)	50.5
6-March	US ISM Services Index (Feb)	55.2
	AU Melbourne Institute Inflation YoY (Feb)	6.40%
	EC Sentix Investor Confidence (Mar)	-8
	UK S&P Global/CIPS UK Construction PMI (Feb)	48.4
	EC Retail Sales MoM (Jan)	-2.70%
	US Factory Orders (Jan)	1.80%
	US Durable Goods Orders (Jan F)	-4.50%
	US Cap Goods Orders Nondef Ex Air (Jan F)	0.80%

Source: Bloomberg

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