

3 May 2023

## Global Markets Research

### Daily Market Highlights

## 3 May: Markets tumbled on reignited banking fears

**Disappointing US JOLTs data shifted UST yield curve lower by 10-19bps; DXY stumbled 0.2%  
RBA unexpectedly raised the cash rates to 3.85%; signalled some potential further tightening  
Eurozone's inflation unexpectedly accelerated to +7.0%, core softened to +5.6% y/y**

- Wall Street tumbled on Tuesday with a sell-off in regional banking shares unnerving investors and renewed concerns over financial stability. The Dow Jones Industrial Average and NASDAQ Composite lost 1.1 d/d each while the S&P 500 slid 1.2% d/d. Regional banks PacWest and Western Alliance led the fall, plunging 27.8% and 15.1% d/d respectively. In after hour moves, AMD fell after it delivered a lacklustre forecast. Ford Motor slipped after it reiterated its FY forecast despite a strong 1Q and flagged headwinds from economic uncertainties as well as high industry wide customer incentives. Sprout Social dropped after the software company issued a 2Q revenue forecast that trailed expectations, while Super Micro Computer gained after its fiscal 4Q net sales topped estimates.
- European stock markets also retreated, with Stoxx 600 and FTSE 100 slipping -1.2% d/d each. Asian markets were nevertheless in the green, with Nikkei 225 and Hang Seng gaining 0.1% and 0.2% d/d respectively.
- UST yields plummeted as renewed banking fears and disappointing JOLTS and factory numbers spurred haven buying. The 2Y slid 18bps to 3.96%, while the 10Y was down 14bps at 3.42%. The 10Y European bond yields, meanwhile, closed mixed between -6 to +1 bps.
- DXY stumbled and fell 0.2% d/d to close at 101.96 after surging as high as 102.40 during the day. G10 currencies closed mixed against the greenback. EUR strengthened 0.2% d/d on expectations that ECB will deliver a 25-50bps rate hike this week after the upside surprise in CPI. GBP, on the other hand, closed 0.2% d/d weaker. AUD jumped 0.5% d/d after the RBA's surprised rate hike. JPY reversed its earlier losses to appreciate 0.7% d/d. MYR closed flattish at 4.4640 while SGD strengthened marginally by 0.1% d/d to 1.3347.
- Prices of oil fell between 5.0%-5.3% d/d, the most in almost four months on a downbeat US jobs market data as well as official Chinese Manufacturing PMI, which signals weak demand for the commodity. Gold, on the other hand, advanced 1.6% d/d on renewed banking jitters.

#### RBA raised rates by 25bps to 3.85%

- The Reserve Bank of Australia (RBA) unexpectedly increased the benchmark cash rates by 25bps to 3.85% to help anchor inflation expectations.
- Key highlights from the post-meeting statement include: 1) Some further tightening of monetary policy may be required so that inflation returns to target in a reasonable timeframe. Inflation is projected to be 4.5% in 2023

#### Key Market Metrics

	Level	d/d (%)
<b>Equities</b>		
Dow Jones	33,684.53	-1.08
S&P 500	4,119.58	-1.16
NASDAQ	12,080.51	-1.08
Stoxx Eur 600	461.08	-1.24
FTSE 100	7,773.03	-1.24
Nikkei 225	29,157.95	0.12
Hang Seng	19,933.81	0.20
Straits Times	3,281.99	0.35
KLCI 30	1,426.11	0.72
<b>FX</b>		
Dollar Index	101.96	-0.19
EUR/USD	1.0999	0.21
GBP/USD	1.2467	-0.23
USD/JPY	136.55	-0.69
AUD/USD	0.6663	0.50
USD/CNH	6.9346	-0.39
USD/MYR	4.4640	0.04
USD/SGD	1.3347	-0.12
<b>Commodities</b>		
WTI (\$/bbl)	71.66	-5.29
Brent (\$/bbl)	75.32	-5.03
Gold (\$/oz)	2,023.30	1.56
Copper (\$\$/MT)	8,514.00	-0.95
Aluminum(\$/MT)	2,366.50	0.45
CPO (RM/tonne)	4,200.00	1.86

Source: Bloomberg, HLBB Global Markets Research

(Previous forecast: 4.8%) and 3.0% in mid-2025. 2) Key indicators to watch out for include developments in the global economy, household spending and the outlook for inflation and the labour market. The Board added that recent labour market data remained very tight and wage growth has picked up. 3) GDP is forecast to grow by 1.3% in 2023 (Previous forecast: 1.5%) and around 2.0% in mid-2025. Unemployment rate is forecast to increase gradually to around 4.5% in mid-2025.

#### **US JOLTS Survey: Job vacancies eased to 9.6m**

- A sign of a cooling labour market, job vacancies fell for the third straight month and more than expected to 9.6m in March (Feb: 10.0m), the lowest in 2 years. Layoffs also jumped to the highest level since December 2020 at 5.9m (Feb: 5.8m) led by the construction, accommodation, food services and health care, while quit rate eased to 2.5% (Feb: 2.6%), indicating concerns about job security. The ratio of job openings to unemployed people also ticked down to 1.6, but is still higher than 1.2 pre-pandemic.
- In the manufacturing sector, factory orders rose less than expected by 0.9% m/m in March (Feb: -1.1% m/m). Excluding transportation, orders slid 0.7% m/m (Feb: -0.7% m/m). Of note, we saw a turnaround in orders for consumer durables and construction machinery and a pick-up in electrical equipment during the month. Growth in orders for durable goods, meanwhile, was left unchanged at +3.2% m/m (Feb: -1.2% m/m), while orders for capital goods non-defense ex air craft contracted more than its initial estimate at -0.6% m/m (Feb: -0.8% m/m).

#### **Eurozone's inflation unexpectedly accelerated to +7.0%, core softened to 5.6% y/y**

- Eurozone's inflation rate unexpectedly accelerated slightly to +7.0% y/y in April (March: +6.9% y/y), while core prices matched consensus to soften to +5.6% y/y (March: +5.7% y/y). Fuel costs significantly pushed up prices for the former (+2.5% y/y vs. March: -0.9% y/y), while services inflation remained sticky at 5.2% y/y (March: +5.1% y/y). As it is, there is no change in our view that ECB will lift the policy rates by another 50bps this year to close 2023 at 4.00%.
- The HCOB Eurozone Manufacturing PMI was revised upwards by 0.3ppts to 45.8 in April (March: 47.3). Nevertheless, weakness in the sector was driven by a built-up in excess inventories after manufacturers had ramped up production earlier due to supply chain bottlenecks.

#### **UK Nationwide House Price unexpectedly rebounded**

- UK's Nationwide House Price Index unexpectedly rose by 0.5% m/m in April (March: -0.7% m/m), the first positive growth since August 2022 and a tentative sign of stabilisation in the housing market. Nevertheless, the overall housing market remained subdued at this juncture, as seen by mortgage approvals still a third lower than pre-pandemic levels. On a y/y basis, prices remained in contraction mode at -2.7% y/y (March: -3.1% y/y).
- The S&P Global / CIPS UK Manufacturing PMI was significantly revised upwards by 1.2ppts to 47.8 in April (March: 47.9). Output, new orders, employment and stocks of purchases remained in contraction mode and vendor lead times improved, a sign of weaker demand for inputs.

### Hong Kong's 1Q GDP grew more than expected by 2.7% y/y

- Hong Kong's GDP rebounded more than expected to +2.7% y/y in 1Q (4Q: -4.1% y/y), ending four consecutive quarters of declines. Private consumption was the biggest contributor to growth, surging by 12.5% y/y (4Q: +1.7% y/y) while exports continued to decline. Looking ahead, Chief Executive John Lee said that faster growth in China's economy and an acceleration of Hong Kong's aviation capacity would provide further support to the economy. He added that 2Q growth will be better than 1Q.

### Malaysia's manufacturing PMI held steady at 48.8

- The S&P Global Malaysia Manufacturing PMI was unchanged and subdued at 48.8 in April. On a positive note, export demand ticked up, while prices of raw material levelled off.

### House View and Forecasts

FX	This Week	2Q-23	3Q-23	4Q-23	1Q-24
DX	100-102	100.97	99.96	97.96	96.98
EUR/USD	1.09-1.11	1.10	1.11	1.12	1.13
GBP/USD	1.24-1.26	1.24	1.25	1.24	1.24
USD/JPY	135-138	131	130	128	128
AUD/USD	0.65-0.67	0.68	0.68	0.69	0.70
USD/MYR	4.43-4.47	4.39	4.35	4.31	4.28
USD/SGD	1.33-1.34	1.31	1.30	1.27	1.26

Rates, %	Current	2Q-23	3Q-23	4Q-23	1Q-24
Fed	4.75-5.00	5.00-5.25	5.00-5.25	5.00-5.25	5.00-5.25
ECB	3.50	4.00	4.00	4.00	4.00
BOE	4.25	4.25	4.25	4.25	4.25
BOJ	-0.10	-0.10	-0.10	-0.10	-0.10
RBA	3.85	3.85	3.85	3.85	3.85
BNM	2.75	3.00	3.00	3.00	3.00

Source: HLBB Global Markets Research

### Up Next

Date	Events	Prior
3-May	AU Judo Bank Australia PMI Services (Apr F)	52.6
	VN S&P Global Vietnam PMI Mfg (Apr)	47.7
	AU Retail Sales MoM (Mar)	0.20%
	MA BNM Overnight Policy Rate	2.75%
	EC Unemployment Rate (Mar)	6.60%
	US MBA Mortgage Applications	3.70%
	US ADP Employment Change (Apr)	145k
	SI Purchasing Managers Index (Apr)	49.9
	US S&P Global US Services PMI (Apr F)	53.7
	US ISM Services Index (Apr)	51.2
4-May	US FOMC Rate Decision (Upper Bound)	5.00%
	US FOMC Rate Decision (Lower Bound)	4.75%
	SI S&P Global Singapore PMI (Apr)	52.6
	HK S&P Global Hong Kong PMI (Apr)	53.5
	AU Exports MoM (Mar)	-3%
	AU Imports MoM (Mar)	-9%
	CH Caixin China PMI Mfg (Apr)	50
	EC HCOB Eurozone Services PMI (Apr F)	56.6
	HK Retail Sales Value YoY (Mar)	31.30%
	UK Net Consumer Credit (Mar)	1.4b
	UK Mortgage Approvals (Mar)	43.5k
	UK S&P Global/CIPS UK Services PMI (Apr F)	54.9
	HK Retail Sales Volume YoY (Mar)	29.60%
	EC PPI YoY (Mar)	13.20%
	US Challenger Job Cuts YoY (Apr)	319.40%

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EC ECB Main Refinancing Rate	3.50%
US Trade Balance (Mar)	-\$70.5b
US Nonfarm Productivity (1Q P)	1.70%
US Initial Jobless Claims	230k
US Unit Labor Costs (1Q P)	3.20%
US Continuing Claims	1858k

Source: Bloomberg

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