HongLeong Bank

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Global Markets Research

Daily Market Highlights

4 Jan: US equities slipped on Tesla and Apple

Global equities traded mixed; lower in the US but higher in Europe

US treasury notes and DXY made strong start in 2023

Oil prices tumbled as mild temperature eased concerns over energy crunch

- US stocks closed lower Tuesday, as shares of Tesla and Apple both slipped, weighing on the broader market and carrying forward a main theme from 2022, when the technology sector was hit hard as the Federal Reserve raised rates to fight inflation. The S&P 500 fell 0.4% d/d, the Dow Jones Industrial Average ended the day relatively flat at -0.03% d/d while Nasdaq Composite shed 0.8% d/d. Tesla fell 12.2%, following disappointing fourth-quarter deliveries. Apple shed 3.7% on reports that it will cut production due to weak demand.

- European markets, on the other hand, closed higher as investors assessed China's reopening and digested inflation data. Stoxx 600 closed up 1.2%, U.K.'s FTSE 100 closed up 1.4% d/d while Germany's DAX index added 0.8% d/d. Germany published lower-than-expected inflation figures for December, decelerating to 8.6% y/y. Meanwhile, markets in Asia-Pacific were mixed as investors weighed the short-term implications of the rise in coronavirus infections in China against the potential longer-term boost from the full reopening of the world's second-largest economy as well as the latest Caixin PMI. Hang Seng rose 1.8% d/d, CSI 300 gained 0.4% d/d, while Nikkei was unchanged. Straits Times and KLCI 30, on the other hand, dipped 0.2% d/d and 1.4% d/d respectively.

- US treasuries had the strongest start to a year in more than a decade as investors focus on inflation data and corporate bond supply. The yield on the 10-year Treasury note was down by 14bps to 3.74%. The 2-year Treasury yield slid 6bps to 4.37%.

- The Dollar made a strong start to 2023, with the Dollar Index gaining 1.0% d/d to 104.52. The Japanese yen was the only G10 currency to strengthen against the greenback, appreciating 0.1% d/d. Euro and sterling weakened 1.5% d/d and 1.0% d/d against USD. Over in Asia, the yuan was largely flat against USD, while MYR and SGD depreciated 0.1% d/d and 0.4% d/d vis-à-vis the Dollar.

- Oil prices tumbled the most since November as mild winter temperatures eased fears of energy crunch. Brent fell 4.4% d/d, while the WTI slipped 4.2% d/d. The Chinese government, meanwhile, raised export quotas for refined oil products in the first batch for 2023. The price of gold notched a six-month high with prices up 1.1% d/d to $1,846.10/oz.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	33,136.37	-0.03
S&P 500	3,824.14	-0.40
NASDAQ	10,386.98	-0.76
Stoxx Eur 600	434.18	1.22
FTSE 100	7,554.09	1.37
Nikkei 225	26,094.50	0.00
Hang Seng	20,145.29	1.84
Straits Times	3,245.80	-0.17
KLCI 30	1,473.99	-1.44
FX		
Dollar Index	104.52	0.96
EUR/USD	1.0548	-1.47
GBP/USD	1.1968	-0.95
USD/JPY	131.02	-0.08
AUD/USD	0.6727	-1.26
USD/CNH	6.9237	0.02
USD/MYR	4.4093	0.12
USD/SGD	1.3453	0.43
Commodities		
WTI ($/bbl)	76.93	-4.15
Brent ($/bbl)	82.10	-4.43
Gold ($/oz)	1,846.10	1.09
Copper ($$/MT)	8,321.50	-0.60
Aluminum($/MT)	2,311.00	-2.82
CPO (RM/tonne)	4,048.00	0.60

Source: Bloomberg, HLBB Global Markets Research

IMF chief warned of a tough 2023

- IMF managing director Kristalina Georgieva warned that the global economy faces “a tough year, tougher than the year we leave behind” and added that the IMF expects one-third of the world economy to be in recession, as US, EU and China slow down simultaneously. While the US may avoid recession, the EU, which was severely hit by the war in Ukraine, will see half of the bloc facing recession next year. China will also face a tough year. Still, the outlook for the world’s largest economy may offer respite if that resilience of the labour market in the US holds.

Global trend for weaker manufacturing PMIs

- The seasonally adjusted S&P Global US PMI printed 46.2 in December, down from 47.7 in November, but matched the earlier released 'flash' estimate. The latest data signalled the fastest decline in operating conditions since May 2020, and was among the sharpest since 2009. As it is, the latest data indicate a solid decline in the health of the sector as weak client demand which drove faster contractions in output and new orders.
- In the UK, the manufacturing downturn took a further turn for the worse at the end of the year, with the S&P Global / CIPS UK Manufacturing PMI falling to a 31-month low of 45.3 in December. Specifically, output contracted at one of the quickest rates during the past 14 years, as new order inflows weakened and supply chain issues continued to bite. The decline in new business was worryingly steep, as weak domestic demand was accompanied by a further marked drop in new orders from overseas.
- Chinese manufacturing activity shrank for a fifth straight month in December, with the Caixin Manufacturing Purchasing Managers Index (PMI) reading at 49.0 in December. This is worse than consensus estimates of 49.1 and weaker than last month’s reading of 49.4 as the country grappled with an unprecedented spike in COVID-19 cases after it relaxed some restrictions intended to prevent the spread of the virus. Encouragingly, business confidence around the 12-month outlook for output improved to the highest since February.
- Australia’s manufacturing sector slowed down in line with the global trend for weaker manufacturing activity over 2H of 2022, although Australia is holding up better than its G10 peers. The manufacturing PMI is still in expansion with a December reading of 50.2. Australian manufacturers remain confident of better conditions ahead with the future output index at 66.6.
- The S&P Global Vietnam Manufacturing PMI dropped to 46.4 in December from 47.4 in November, posting below the 50.0 no-change mark for the second month running. The latest decline was the most marked since the pandemic-related downturn seen in 3Q of 2021, as the manufacturing sector struggled in part due to subdued demand conditions in the key export markets of Mainland China, the EU and US. Securing new work is likely to remain difficult until there is a pick-up in these markets, with a number of firms indicating that they expect demand to remain subdued in the near-term.
- For Malaysia, the S&P Global Malaysia Manufacturing PMI stood at 47.8 in December, slipping from 47.9 in November to mark a fourth consecutive softening of operating conditions across the sector. Forward looking indicators suggested that firms were anticipating conditions to remain challenging in the coming months as signalled by a further trimming in input buying, reductions in inventory levels and a relatively weak outlook on output over the next year.

US construction spending unexpected jumped 0.2% m/m

- US construction spending unexpectedly rebounded by 0.2% m/m in November (Oct: -0.2% m/m), lifted by gains in nonresidential structures, but single-family homebuilding continued to be hammered by higher mortgage rates. Specifically, investment in private non-residential structures like gas and oil well drilling jumped 1.7% m/m, while outlays on residential construction fell 0.5% m/m.

Singapore's GDP slowed to 2.2% y/y in 4Q22

- Singapore's GDP moderated to 2.2% y/y in 4Q (consensus estimate: +2.1% y/y vs 3Q: +4.2% y/y). On a q/q basis, the economy expanded by 0.2%, extending the 1.1% expansion in the previous quarter. For the year 2022, Singapore's economy is estimated to have grown by 3.8%, down from the 7.6% growth in 2021. On a sectoral basis, the manufacturing sector led the slower growth with a 3.0% y/y contraction, while the construction sector accelerated to grow by 10.4% y/y. The services sector, meanwhile, expanded by a slightly slower pace of 4.1% y/y.
- Separately, the PMI resumed its downward trajectory in December, deeper into contraction territory, after a surprised uptick in November. The index dipped 0.1 points to 49.7 and marking fourth consecutive month of contraction in overall activity. The electronics sector slipped 0.3 points m/m to 48.9. The latest readings do not bode well for the manufacturing sector and Singapore's economy as a whole as slowing electronics demand and escalating cost pressure is weighing down the overall manufacturing sector. Global uncertainties from geopolitical developments as well as the macroeconomic risks of high inflation and volatile energy prices continue unabated into the new year.

House View and Forecasts

FX	This Week	1Q-23	2Q-23	3Q-23	4Q-23
DXY	102-105	98.00	96.04	96.04	96.04
EUR/USD	1.04-1.07	1.10	1.11	1.11	1.11
GBP/USD	1.17-1.22	1.26	1.27	1.27	1.27
USD/JPY	128-132	130	128	128	128
AUD/USD	0.66-0.68	0.70	0.72	0.72	0.72
USD/MYR	4.38-4.43	4.31	4.28	4.28	4.28
USD/SGD	1.34-1.36	1.32	1.30	1.30	1.30

Rates, %	Current	1Q-23	2Q-23	3Q-23	4Q-23
Fed	4.25-4.50	4.75-5.00	4.75-5.00	4.75-5.00	4.75-5.00
ECB	2.50	3.00	3.00	3.00	3.00
BOE	3.50	4.00	4.00	4.00	4.00
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
4-Jan	NZ CoreLogic House Prices YoY (Dec)	-2.90%
	JN Jibun Bank Japan PMI Mfg (Dec F)	48.8
	CH Caixin China PMI Services (Dec)	46.7
	HK Retail Sales Value YoY (Nov)	3.90%
	EC S&P Global Eurozone Services PMI (Dec F)	49.1
	UK Consumer Credit YoY (Nov)	7.00%
	US MBA Mortgage Applications	0.90%
	US ISM Manufacturing (Dec)	49

	US JOLTS Job Openings (Nov)	10334k
5-Jan	US FOMC Meeting Minutes	
	AU S&P Global Australia PMI Services (Dec F)	46.9
	SI S&P Global Singapore PMI (Dec)	56.2
	HK S&P Global Hong Kong PMI (Dec)	48.7
	SI Retail Sales YoY (Nov)	10.40%
	JN Consumer Confidence Index (Dec)	28.6
	UK S&P Global/CIPS UK Services PMI (Dec F)	50.0
	EC PPI MoM (Nov)	-2.90%
	US Challenger Job Cuts YoY (Dec)	416.50%
	US ADP Employment Change (Dec)	127k
	US Trade Balance (Nov)	-$78.2bn
	US Initial Jobless Claims	225k
	US Continuing Claims	1710k
	US S&P Global US Services PMI (Dec F)	44.4
5-13 Jan	CH Exports YoY (Dec)	-8.90%
	CH Imports YoY (Dec)	-21.20^

Source: Bloomberg

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