

6 January 2023

Global Markets Research

Daily Market Highlights

6 Jan: Stocks closed lower with solid labour data in focus

UST yields climbed; DXY jumped above 105

Bullard said that rates are getting closer to sufficiently restrictive zone

PMI services remained contractionary by and large

- Stocks fell after jobs data showed the labour market is still strong fuelling expectations that Fed has more room to keep raising the interest rates. The Dow Jones, S&P 500 and Nasdaq 100 each lost slightly more than 1.0%. Dovish comments from St. Louise President James Bullard, who said rates are getting closer to sufficiently restrictive zone briefly lifted sentiment but were not enough to divert focus on the better than estimated private payrolls data as well as initial jobless claims. Atlanta Fed President Raphael Bostic also said on Thursday that inflation was the biggest headwind facing the U.S. economy right now and U.S. Federal Reserve officials “remain determined” to lower it back to the central bank’s 2.0% target.
- After climbing to a three-week high over the last three sessions, the Stoxx 600 closed 0.2% lower, while in Asia, Hong Kong’s Hang Seng index jumped 1.3% d/d paring some of its earlier gains as investors digested an improved reading in China’s Caixin services PMI. Hong Kong’s S&P PMI also showed lessening pressure in the factory activity. Nikkei 225 was up 0.4% d/d.
- The policy sensitive 2-year UST yield climbed the most in a month as a result, trading at 4.46% or up 11bps. The yield on the benchmark 10-year Treasury yield gained nearly 4bps to 3.72%.
- The dollar also jumped on the employment data, with the Dollar Index up 0.8% d/d to 105.04. Euro and sterling depreciated 0.8% d/d and 1.2% d/d vis-à-vis USD, while in Asia, Yen weakened 0.6% d/d to 133.41 after rebounding dramatically recently. The outlier was the yuan and MYR which strengthened 0.2% d/d each against the greenback. The SGD bucked the trend again, weakening 0.4% d/d to 1.3455 at close.
- Oil prices rose by 1.1% d/d on Thursday after posting the biggest two-day losses for the start of a year, as EIA reported that US gasoline stocks fell 346k barrels last week. Gold prices, meanwhile, slipped 1.0% d/d as the Dollar pushed higher.

PMI services remained in contraction territory overall

- The final US services PMI was revised upwards to 44.7 in Dec (Nov: 46.2). Notable findings for the survey were activity and new orders fell at sharper rates as demand wanes, cost burdens rose at the softest pace for over 2 years while job creation was only marginal.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	32,930.08	-1.02
S&P 500	3,808.10	-1.16
NASDAQ	10,305.24	-1.47
Stoxx Eur 600	439.33	-0.20
FTSE 100	7,633.45	0.64
Nikkei 225	25,820.80	0.40
Hang Seng	21,052.17	1.25
Straits Times	3,292.66	1.55
KLCI 30	1,480.93	0.77
FX		
Dollar Index	105.04	0.76
EUR/USD	1.0522	-0.77
GBP/USD	1.1908	-1.22
USD/JPY	133.41	0.59
AUD/USD	0.6752	-1.27
USD/CNH	6.8884	-0.16
USD/MYR	4.3878	-0.24
USD/SGD	1.3455	0.37
Commodities		
WTI (\$/bbl)	73.67	1.14
Brent (\$/bbl)	78.69	1.09
Gold (\$/oz)	1,840.60	-0.99
Copper (\$\$/MT)	8,374.50	1.48
Aluminum(\$/MT)	2,255.50	-0.49
CPO (RM/tonne)	4,134.00	-0.96

Source: Bloomberg, HLBB Global Markets Research

- UK services PMI improved to 49.9 in December (Nov: 48.8), though remained below the 50-threshold. Despite the best reading since September, and indicative of a broad stabilisation of activity, the latest survey data and anecdotal evidence from panellists nonetheless painted a picture of a difficult operating environment. Cost of living pressures and high inflation continued to dampen consumption, whilst uncertainty and hesitancy characterised business decision making. Firms and clients were reported to be delaying making commitments to new contracts until 2023.
- The contraction in Caixin China services PMI eased more than expected to 48.0 in December (Nov: 46.7). This marks the fourth month of contraction but some service companies reported that business had improved since November. Optimism has improved significantly following the easing of Covid containment measures, while the gauge for expectations for future activity rose nearly 4 points m/m to the highest reading since May 2021.
- The headline seasonally adjusted S&P Global Singapore PMI, a composite single figured indicator of performance, fell below the 50-threshold in December to 49.1 (Nov: 56.2). The downturn in demand not only affected firms' willingness to accumulate inputs and labour, but also shifted the pricing power away from businesses as indicated by the fall in selling price inflation even as input cost pressures mounted. Although having improved on the month, the current subdued level of business confidence suggested that the growth momentum may remain muted in the months ahead.
- The headline seasonally adjusted S&P Global Hong Kong SAR PMI, on the other hand, improved to 49.6 in December (Nov: 48.7). Indications from the latest PMI pointed to some signs of improvement on the back of the loosening of COVID-19 curbs as reflected by private sector output expanding for the first time since August.

Still solid US labour market

- Three separate reports from the US continued to point to a strong labour market although there are indications that hiring may slow as companies take a cautious approach entering 2023. ADP Employment showed that private sector employment rose more than expected by 235k for the same month (Nov: 192k), while annual pay was up 7.4% y/y. According to a report by Challenger, Gray & Christmas, US announced 43,651 job cuts in December, a decline of 43% m/m with the bulk of cuts in the technology sector. On a y/y basis, job cuts slowed to +129.1% (Nov: +416.5%). Weekly jobless claims, meanwhile, fell 19k to lowest level since September and was lower than expectation at 225k for the week ended Dec 31. In tandem with this, continuous claims also fell 24k w/w to 1694k.
- Trade deficit narrowed more than expected to \$61.5bn in Nov (Oct: -\$77.8bn) as the contraction in imports (-6.4% m/m) outpaced exports (-2.0% m/m). The decline in the latter was led by industrial supplies and materials, while the contraction in imports were led by consumer goods which suggest softer spending going forward.

Eurozone PPI continued to fall for second month

- Eurozone PPI fell more than expected at -0.9% m/m in November (Oct: -3.0% m/m) pulled down by falling costs of energy which were 2.2% m/m lower. A 0.4% m/m fall in prices of intermediate goods helped too. Still, energy prices were still 55.7% y/y higher, accounting for most of the y/y rise of the overall PPI at +27.1% y/y (Oct: 30.5% y/y).

Japan's consumer confidence unexpected rose

- Japan's Consumer Confidence Index unexpectedly rose to 30.3 in December (Nov: 28.6) as improvement was seen across all sub-components. In terms of prices, we also note that price expectations for a year ahead, has also softened, with the percentage of a group who expect prices to go up and stay unchanged falling. On the other hand, the percentage of a group who expect prices to go down rose 0.7ppts to 3.2%.

Singapore retail sales rose less than expected on motor vehicles

- Singapore's retail sales rose less than expected at 6.2% y/y in December (Nov: +10.3% y/y). While most industries logged y/y growth, overall sales were dragged lower by a 12.4% y/y decline in sales of motor vehicles in line with the lower Certificate of Entitlement (COE) quota in 2022.

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	128-135	130	128	128	128
AUD/USD	0.66-0.69	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
6-Jan	JN Labor Cash Earnings YoY (Nov)	1.80%
	JN Jibun Bank Japan PMI Services (Dec F)	51.7
	UK S&P Global/CIPS UK Construction PMI (Dec)	50.4
	EC Consumer Confidence (Dec F)	-22.2
	EC CPI MoM (Dec P)	-0.10%
	EC Retail Sales MoM (Nov)	-1.80%
	EC Economic Confidence (Dec)	93.7
	US Change in Nonfarm Payrolls (Dec)	263k
	US Unemployment Rate (Dec)	3.70%
	US Average Hourly Earnings MoM (Dec)	0.60%
	US ISM Services Index (Dec)	56.5
	US Factory Orders (Nov)	1.00%
	US Durable Goods Orders (Nov F)	-2.10%
6-13 Jan	UK PPI Output NSA MoM (Nov)	0.90%
	UK PPI Input NSA MoM (Nov)	0.80%
7-Jan	CH Foreign Reserves (Dec)	\$3117.49b
9-Jan	AU Building Approvals MoM (Nov)	-6.00%
	MA Foreign Reserves (11293)	\$110.3b
	EC Sentix Investor Confidence (Jan)	-21
	EC Unemployment Rate (Nov)	6.50%
9-16 Jan	CH Aggregate Financing CNY (Dec)	1990.0b
	CH PPI YoY (Dec)	-1.30%
	CH CPI YoY (Dec)	1.60%
	CH New Yuan Loans CNY (Dec)	1210.0b

Source: Bloomberg

Hong Leong Bank Berhad

Fixed Income & Economic Research,
Global Markets
Level 8, Hong Leong Tower
6, Jalan Damanlela
Bukit Damansara
50490 Kuala Lumpur
Tel: 603-2081 1221
Fax: 603-2081 8936

HLMarkets@hlbb.hongleong.com.my

DISCLAIMER

This report is for information purposes only and does not take into account the investment objectives, financial situation or particular needs of any particular recipient. The information contained herein does not constitute the provision of investment advice and is not intended as an offer or solicitation with respect to the purchase or sale of any of the financial instruments mentioned in this report and will not form the basis or a part of any contract or commitment whatsoever.

The information contained in this publication is derived from data obtained from sources believed by Hong Leong Bank Berhad ("HLBB") to be reliable and in good faith, but no warranties or guarantees, representations are made by HLBB with regard to the accuracy, completeness or suitability of the data. Any opinions expressed reflect the current judgment of the authors of the report and do not necessarily represent the opinion of HLBB or any of the companies within the Hong Leong Bank Group ("HLB Group"). The opinions reflected herein may change without notice and the opinions do not necessarily correspond to the opinions of HLBB. HLBB does not have an obligation to amend, modify or update this report or to otherwise notify a reader or recipient thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

HLB Group, their directors, employees and representatives do not have any responsibility or liability to any person or recipient (whether by reason of negligence, negligent misstatement or otherwise) arising from any statement, opinion or information, expressed or implied, arising out of, contained in or derived from or omission from the reports or matter.

Potential and actual conflict of interest may arise from the activities of HLB Group. HLB Group constitute a diversified financial services group. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, hedging transactions and other activities for their own account or the account of others. In the ordinary course of their business, HLB Group may effect transactions for their own account or for the account of their customers and hold long or short positions in the financial instruments. HLB Group, in connection with its business activities, may possess or acquire material information about the financial instruments. Such activities and information may involve or have an effect on the financial instruments. HLB Group have no obligation to disclose such information about the financial instruments or their activities.

The past performance of financial instruments is not indicative of future results. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Any projections or forecasts mentioned in this report may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information. No assurance can be given that any opinion described herein would yield favourable investment results. Recipients who are not market professional or institutional investor customer of HLBB should seek the advice of their independent financial advisor prior to taking any investment decision based on the recommendations in this report.

HLBB may provide hyperlinks to websites of entities mentioned in this report, however the inclusion of a link does not imply that HLBB endorses, recommends or approves any material on the linked page or accessible from it. Such linked websites are accessed entirely at your own risk. HLBB does not accept responsibility whatsoever for any such material, nor for consequences of its use.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. This report is for the use of the addressees only and may not be redistributed, reproduced or passed on to any other person or published, in part or in whole, for any purpose, without the prior, written consent of HLBB. The manner of distributing this report may be restricted by law or regulation in certain countries. Persons into whose possession this report may come are required to inform themselves about and to observe such restrictions. By accepting this report, a recipient hereof agrees to be bound by the foregoing limitations.