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Global Markets Research

Daily Market Highlights

6 March: Wall Street broke losing streaks

Fed Bostic's call for 25bps hike and services prints showed expansion in February

10-yr UST yield retreated 10bps to 3.95%; DXY pulled back to 104.52

China set GDP target of around 5.0%; Caixin's Services PMI rose to a 6-month high

- Wall Street ended on a high note with S&P 500 snapping a 3-week losing streak and NASDAQ scoring its best day since February. The S&P 500 rose 1.6% d/d, NASDAQ jumped 2.0% d/d and Dow Jones gained 1.2% d/d. Sentiment remained upbeat after Atlanta Fed President Raphael Bostic's comments on Thursday saying that he supported a 25bps rate hike. All eyes will be on the non-farm payrolls next for clues on the Fed's next moves.
- Stoxx 600 index was up 0.9% d/d with Volkswagen leading auto gains. Volkswagen closed up 10.0% d/d after the carmaker offered a better-than-expected outlook for 2023. FTSE 100 closed up slightly above the flatline. Asia-Pacific markets mostly rose following Wall Street's gains overnight as well as on a jump in Chinese services PMI to a 6-month high at 55.0. Hang Seng index rose 0.7% d/d, while Nikkei 225 closed up 1.6% d/d.
- Treasuries rallied on Friday with the 10-year Treasury yield dipping 10bps to 3.95%. The yield on the 2-year slid 3bps to 4.86%.
- The Dollar Index eased 0.5% d/d to 104.52 with the greenback briefly cutting its losses after data showed the US services sector grew at a steady pace in February. EUR and GBP strengthened 0.4% and 0.8% d/d respectively, while in Asia, JPY and CNH appreciated by 0.7% and 0.4% d/d. MYR closed flattish at 4.4773, while SGD strengthened marginally by 0.2% d/d to 1.3450.
- Oil prices gained for the fourth day with confidence in China's robust rebound supporting prices. The West Texas Intermediate rose 1.9% d/d, while the Brent gained 1.3% d/d. Price of gold was up 0.8% d/d as the Dollar weakened.

China set GDP target of 'around 5%' for 2023

- Key highlights from the National People's Congress, part of the annual "Two Sessions" parliamentary meeting include: 1) China set a growth target of around 5.0% for 2023 (2022: +3.0%); 3.0% for the CPI (2022: +2.0%) and a 5.5% unemployment rate for people in cities (2022: 5.5%), with the creation of around 12m new urban jobs. 2) The work report called for implementing "prudent monetary policy" in a "targeted" way. The deficit-to-GDP ratio is expected to increase to 3.0% (2022: 2.8%). 3) China is set to increase defense spending this year by +7.2% (2022: 7.1%).

Caixin's Services Index rose to 55.0, highest since August 2022

- The final S&P Global US Services PMI was revised up by 0.1ppts to 50.6 in February (Jan: 46.8). The latest data brought an end to a 7-months sequence

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	33,390.97	1.17
S&P 500	4,045.64	1.61
NASDAQ	11,689.01	1.97
Stoxx Eur 600	464.26	0.92
FTSE 100	7,947.11	0.04
Nikkei 225	27,927.47	1.56
Hang Seng	20,567.54	0.68
Straits Times	3,232.02	-0.09
KLCI 30	1,453.55	-0.13
FX		
Dollar Index	104.52	-0.48
EUR/USD	1.0635	0.36
GBP/USD	1.2036	0.75
USD/JPY	135.87	-0.66
AUD/USD	0.6770	0.59
USD/CNH	6.8954	-0.37
USD/MYR	4.4773	0.04
USD/SGD	1.3450	-0.19
Commodities		
WTI (\$/bbl)	79.68	1.94
Brent (\$/bbl)	85.83	1.27
Gold (\$/oz)	1,854.60	0.77
Copper (\$\$/MT)	8,983.50	0.28
Aluminum(\$/MT)	2,405.00	0.23
CPO (RM/tonne)	4,200.00	0.50

Source: Bloomberg, HLBB Global Markets Research

of contraction, underpinned by a pick-up in demand conditions and a slower fall in new orders, with some evidence of milder than usual weather also helping.

- The final Eurozone Services PMI was revised downwards by 0.3ppts to 52.7 in February (Jan: 50.8). Still, this is the highest level in 8 months supported by the new business index.
- The UK Services PMI was revised 0.2ppts upwards to 53.5 in February (Jan: 48.7). This is the first expansion in 6 months and the strongest since June 2022. Notable findings include new order growth at a 9-months peak and input cost inflation lowest since June 2021.
- The Caixin China General Services Business Activity Index rose slightly more than expected to 55.0 in February (Jan: 52.9), a high not seen since August 2022. The upturn was supported by the strongest rise in new business since April 2021, as the relaxation of COVID-19 restrictions had helped to lift customer numbers and demand.
- At 54.0 in February (Jan: 52.3), the au Jibun Bank Japan Services Business Activity Index was revised upwards to the highest since last June. Firms often commented that demand was boosted as the impact of the pandemic receded. Near-term outlook looked positive as the expansion in demand contributed to the steepest rise in outstanding workloads in 5.5 years, while the 12-month outlook for activity strengthened to a 4-month high.
- The headline S&P Global Hong Kong SAR PMI rose for the second month and at the most rapid pace of 53.9 in February (Jan: 51.2). The future output index pointed to a record level of business confidence amongst private sector firms, signalling the likelihood for continued improvements in business conditions in the near term.
- The Singapore PMI slid to 49.6 in February (Jan: 51.2). New orders and output indices slowed visibly, albeit still in positive territory. Business sentiment worsened, while caution with respect to hiring and purchasing brought the overall PMI into contraction territory.

US ISM-Services dipped 0.1ppts to 55.1

- The ISM Services Business Survey fell less than expected to 55.1 in February (Jan: 55.2). This marks the second consecutive month of expansion with participants mostly positive about business conditions. Suppliers continue to improve their capacity and logistics, as evidenced by faster deliveries. The employment picture has improved for some industries despite the tight labor market. Of note, the prices index was down 2.2ppts to 65.6.

Eurozone's PPI decelerated to +15.0% y/y due to lower energy prices

- Producer prices (PPI) in the Eurozone decelerated more than expected to +15.0% y/y in January (Dec: +24.5% y/y) and was down 2.8% m/m (Dec: +1.1% m/m). The decline to the latter was entirely due to falling energy prices as the charges for all other goods rose. The energy component dropped by 9.4% m/m (Dec: +2.4% m/m) while core PPI accelerated to +1.1% m/m (Dec: No change).

Australia home loan slumped more than expected

- Australia's home loan values unexpectedly worsened to -5.3% m/m in January (Dec: -4.3% m/m). Specifically, the number of new owner-occupier first home buyer loan commitments fell to the lowest since February 2017. Anecdotal feedback from lenders suggested that reduced borrowing capacity due to rising interest rates further dampened overall demand for new loans in recent months.

Singapore's retail sales unexpectedly fell on lower auto sales

- Singapore's retail sales unexpectedly fell 0.8% y/y in January (Dec: +7.7% y/y). The decline was attributed mainly to lower demand for furniture and household appliances as well as motor vehicles. The former was not a surprise given that consumers usually front load purchases for big-tickets items prior to GST hike, while the latter was due to lower COE quota.

House View and Forecasts

FX	This Week	1Q-23	2Q-23	3Q-23	4Q-23
DXY	104-105	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	133-137	134	132	132	131
AUD/USD	0.66-0.68	0.69	0.69	0.70	0.71
USD/MYR	4.43-4.50	4.40	4.36	4.30	4.25
USD/SGD	1.34-1.35	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
6-March	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%
7-March	JN Labor Cash Earnings YoY (Jan)	4.80%
	AU Exports MoM (Jan)	-1%
	AU Imports MoM (Jan)	1%
	AU Trade Balance (Jan)	A\$12237m
	AU RBA Cash Rate Target	3.35%
	MA Foreign Reserves	\$114.40bn
	US Wholesale Inventories MoM (Jan F)	-0.40%
	CH Exports YTD YoY (Feb)	10.50%
	CH Trade Balance YTD (Feb)	5.87t yuan
	CH Imports YTD YoY (Feb)	4.30%
	CH Foreign Reserves (Feb)	\$3184.46b

Source: Bloomberg

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