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Global Markets Research

Daily Market Highlights

6 April: Renewed flight to safety on weak US data

ADP employment and ISM services disappointed at +145k and 51.2 respectively

10Y UST yield fell to the lowest level since September; DXY touched as low as 101.42

RBA's Lowe: a pause does not imply rate hikes are over

- Markets saw a renewed flight to safety mode with bonds climbing and investors shifting away from growth stocks amid signs that the US economy is weakening. Wednesday's moves came as traders mulled over the latest ADP private payrolls report, which showed slowing job growth, while ISM services fell four points to a 3-month low. The tech-heavy NASDAQ composite underperformed, sinking 1.1% d/d, while the broad-based S&P 500 dipped 0.3% d/d. The Dow Jones Industrial Average added 0.2% d/d, bolstered by health-care stocks.
- In Europe, Stoxx 600 index closed 0.2% d/d lower after a broadly downbeat session, while the FTSE 100 rose 0.4% d/d as defensive and energy stocks gained. Asia markets also closed mixed after RBNZ raised its benchmark cash rate more than expected by 50bps to 5.25%. Nikkei 225 led losses in the region, closing 1.7% d/d lower while Hang Seng slipped 0.7% d/d. Singapore Straits Times, were however, 0.2% d/d higher.
- UST yields declined further with the benchmark 10Y reaching its lowest level since mid-September. The yield on the 10Y slipped 3bps to 3.31%, while the yield on the 2Y dipped 5bps to 3.78%. 10Y European bond yields closed the day 1-11bps lower.
- The Dollar Index wobbled initially, stumbled to 101.42 but recovered to close 0.3% d/d higher at 101.85. Both the EUR and GBP weakened 0.5% d/d and 0.3% d/d respectively. Asian currencies closed mixed. JPY was 0.3% d/d stronger, while CNH and SGD weakened slightly by 0.1-0.2% d/d. MYR closed 0.1% d/d stronger at 4.3995, its first close below the 4.40 key support level in seven weeks, paving the way towards 4.35-4.36s.
- Oil prices were little changed, with the WTI closed down 0.1% d/d but Brent closed higher by 0.1% d/d in a battle between concerns over demand in an uncertain economy and the drawdown in US crude oil and fuel stocks. According to the EIA, crude inventories fell by a more-than-expected 3.7m barrels last week. Similarly, safe-haven gold was flattish, slipping slightly less than 0.1% d/d and hovering near its 1-year high at \$2k/oz.

S&P Services PMIs were mixed across the globe

- The final S&P Global US Services PMI was revised downwards by 1.2ppts to 52.6 in March (Feb: 50.6). Nevertheless, the latest data signalled a modest rise in output that was the sharpest since June 2022, supported by stronger client demand, a renewed rise in orders and the acquisition of new customers.

Key Market Metrics

| | Level | d/d (%) |
|--------------------|-----------|---------|
| Equities | | |
| Dow Jones | 33,482.72 | 0.24 |
| S&P 500 | 4,090.38 | -0.25 |
| NASDAQ | 11,996.86 | -1.07 |
| Stoxx Eur 600 | 456.59 | -0.16 |
| FTSE 100 | 7,662.94 | 0.37 |
| Nikkei 225 | 27,813.26 | -1.68 |
| Hang Seng | 20,274.59 | -0.66 |
| Straits Times | 3,318.87 | 0.23 |
| KLCI 30 | 1,429.55 | 0.00 |
| FX | | |
| Dollar Index | 101.85 | 0.26 |
| EUR/USD | 1.0904 | -0.45 |
| GBP/USD | 1.2462 | -0.31 |
| USD/JPY | 131.32 | -0.30 |
| AUD/USD | 0.6720 | -0.46 |
| USD/CNH | 6.8858 | 0.10 |
| USD/MYR | 4.3995 | -0.11 |
| USD/SGD | 1.3279 | 0.18 |
| Commodities | | |
| WTI (\$/bbl) | 80.61 | -0.12 |
| Brent (\$/bbl) | 84.99 | 0.06 |
| Gold (\$/oz) | 2,020.90 | -0.06 |
| Copper (\$\$/MT) | 8,782.00 | 0.35 |
| Aluminum(\$/MT) | 2,333.50 | -1.56 |
| CPO (RM/tonne) | 4,248.00 | 0.74 |

Source: Bloomberg, HLBB Global Markets Research

- The final Eurozone Services PMI was shaved 0.6ppts from its initial estimate to 55.0 in March (Feb: 52.7) and signalled a strong increase in output across services firms. The rate of growth was the fastest since May 2022.
- The final UK Services PMI was revised slightly upwards by 0.1ppts to 52.9 in March (Feb: 53.5). As it is, the average reading for the 1Q at 51.7 signalled a turnaround in business activity after the marginal fall seen last quarter.
- The au Jibun Bank Japan Services Business Activity Index was revised upward by 0.8ppts to 55.0 in March (Feb: 54.0). The reading signalled a seventh successive improvement in output and second sharpest rise in history. Firms attributed the uplift to the subsiding impact of the pandemic.
- The Singapore PMI rose to 52.6 in March (Feb: 49.6), the fastest rate of expansion since last November. This was underpinned by higher demand for domestic goods and services, but export weakness was evident during the month.

US private sector employment softened to +145k; Services ISM fell more than expected to 51.2

- According to ADP Research Institute, private sector employment increased at a much slower rate than expected by +145k in March (Feb: +261k), one of several signals that employers are pulling back from a year of strong hiring and pay growth after a three-month plateau.
- The Services ISM fell more than expected to 51.2 in March (Feb: 55.1), suggesting a pullback in the rate of growth for the services sector. This is attributable to a cooling off in new orders, an employment environment that varies by industry and continued improvements in capacity and logistics, a positive impact on supplier performance. The majority of respondents, nevertheless, report a positive outlook on business conditions.
- Trade deficit widened more than expected and for the third month to \$70.5bn in March (Feb: -\$68.7bn) as exports fell (-2.7% m/m vs Feb: +3.6% m/m) more than imports (-1.5% m/m vs Feb: +3.3% m/m). Of note, travel exports rose to a three-year high while imports of consumer goods fell for the first time in 3 months.
- After four weeks of increasing mortgage purchase application activity, volume declined slightly for the week ended March 31 even with another small drop in mortgage rates. Mortgage applications decreased 4.1% w/w (March 24: +2.9% w/w), with both the refinance and purchase indices contracting 5.4% and 3.5% w/w.

RBA's Lowe said that pause doesn't imply rate hikes are over

- RBA Governor Philip Lowe said that the central bank's decision to keep interest rates unchanged doesn't mean an end to its tightening cycle but acknowledged that the board is prepared for a slower return on inflation to target than some other central banks. Lowe also highlighted three key factors that will have an impact on Australia's outlook: 1) The global economy in light of the recent bank stress; 2) Strength of domestic household consumption which is likely to be subdued for some time; 3) Price- and wage-setting behaviour in response to higher inflation.

Singapore's retail sales jumped 12.7% due to low base effect

- Retail sales surged more than expected by 12.7% y/y in February (Jan: -0.8% y/y). However, it should be noted that the jump in sales was partly attributed to a lower base, as some shops were not open during CNY public holidays in February 2022. Most industries recorded increases, led by sales of wearing

apparel & footwear, computer & telecommunications equipment as well as optical goods & books. The food & alcohol industry recorded a 69.0% y/y jump, due mainly to higher demand for alcoholic products (including those sold in duty free shops).

House View and Forecasts

| FX | This Week | 1Q-23A | 2Q-23 | 3Q-23 | 4Q-23 |
|---------|-----------|--------|-------|-------|-------|
| DXY | 101-103 | 103 | 104 | 103 | 102 |
| EUR/USD | 1.08-1.10 | 1.08 | 1.06 | 1.06 | 1.06 |
| GBP/USD | 1.22-1.25 | 1.23 | 1.21 | 1.21 | 1.21 |
| USD/JPY | 130-134 | 133 | 132 | 132 | 131 |
| AUD/USD | 0.66-0.68 | 0.67 | 0.69 | 0.70 | 0.71 |
| USD/MYR | 4.38-4.44 | 4.42 | 4.36 | 4.30 | 4.25 |
| USD/SGD | 1.32-1.34 | 1.33 | 1.31 | 1.29 | 1.27 |

| Rates, % | Current | 1Q-23A | 2Q-23 | 3Q-23 | 4Q-23 |
|----------|-----------|-----------|-----------|-----------|-----------|
| Fed | 4.75-5.00 | 4.75-5.00 | 5.00-5.25 | 5.00-5.25 | 5.00-5.25 |
| ECB | 3.50 | 3.50 | 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 | 3.60 | 3.60 | 3.60 | 3.60 | 3.60 |
| BNM | 2.75 | 2.75 | 3.00 | 3.00 | 3.00 |

Source: HLBB Global Markets Research

Up Next

| Date | Events | Prior |
|---------|----------------------------------------------|----------|
| 6-April | HK S&P Global Hong Kong PMI (Mar) | 53.9 |
| | AU Exports MoM (Feb) | 1% |
| | AU Imports MoM (Feb) | 5% |
| | CH Caixin China PMI Services (Mar) | 55 |
| | UK S&P Global/CIPS UK Construction PMI (Mar) | 54.6 |
| | US Challenger Job Cuts YoY (Mar) | 410.10% |
| | US Initial Jobless Claims | 198k |
| | US Continuing Claims | 1689k |
| 7-April | JN Labor Cash Earnings YoY (Feb) | 0.80% |
| | JN Household Spending YoY (Feb) | -0.30% |
| | JN Leading Index CI | 96.6 |
| | MA Foreign Reserves | \$114.0b |
| | US Change in Nonfarm Payrolls (Mar) | 311k |
| | US Unemployment Rate (Mar) | 3.60% |
| | US Average Hourly Earnings MoM (Mar) | 0.20% |
| | US Average Weekly Hours All Employees (Mar) | 34.5 |

Source: Bloomberg

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