

7 June 2023

Global Markets Research

Daily Market Highlights

7 June: RBA surprised with a 25bps rate hike

RBA raised rates to 4.10%; some further tightening may be required; AUD jumped 0.8% S&P 500, Nasdaq notched 2023 fresh highs; tame markets ahead of June FOMC meeting Flat Eurozone's retail sales; Singapore's PMI softened but still above long-term average

- The S&P 500 and Nasdaq clinched fresh closing highs for 2023 on Tuesday, with the former adding 0.2% d/d and the latter climbing 0.4% d/d. The Dow Jones Industrial Average closed just above the flatline. Trading remained largely tame as investors await the CPI report and June FOMC meeting next week. Apple shares, meanwhile, shed another 0.2% d/d a day after the tech giant debuted its mixed reality headset. In Europe, Stoxx 600 index bounced either side of the flatline in morning trade but trended higher later to close up 0.4% d/d. FTSE 100 also added 0.4% d/d. Asian markets traded mixed, with Nikkei 225 gaining another 0.9% d/d, but Hang Seng slid 0.1% d/d.
- In the Treasuries market, the 2Y yield rose slightly by 1bps to 4.48%, but the 10Y fell 2bps to 3.66%. The 10Y European bonds yield closed mixed, between -3 to +1bps.
- DXY strengthened modestly by 0.1% d/d to 104.13. Amongst its G10 peers, AUD jumped to its highest since mid-May at 0.6681 after the RBA unexpectedly raised its cash rates, but retreated slightly and closed the day 0.8% d/d stronger at 0.6671. EUR and GBP were a shade weaker between 0.1%-0.2% d/d each, with the former battered by the weaker-than-expected German output results. Safe haven JPY closed slightly weaker at 139.63. Similarly, CNH depreciated by 0.1% d/d, but SGD appreciated by 0.1% d/d to 1.3486. MYR closed the day 0.7% d/d weaker at 4.6085.
- Oil prices eased by about 0.6% d/d as persistent demand fears outlived the surge following Saudi Arabia's surprised pledge to cut outputs. Gold, meanwhile, posted a mild gain of 0.4% d/d in a wait-and-see mode as the Fed rate path turned uncertain after the RBA's surprised move.

RBA unexpectedly raised rates by 25bps to 4.10%

- The Reserve Bank of Australia (RBA) unexpectedly raised the cash rate by another 25bps to 4.10%. Key highlights from the statement include: 1) Some further tightening may be required to ensure that inflation returns to target in a reasonable timeframe. 2) RBA is seeking to keep the economy on an even keel as inflation returns to target, but the path to achieving a soft landing remains a narrow one. 3) Higher interest rates and cost of living is leading to a substantial slowing in household spending. 4) Housing prices are rising again and some households have substantial savings buffers.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	33,573.28	0.03
S&P 500	4,283.85	0.24
NASDAQ	13,276.42	0.36
Stoxx Eur 600	461.68	0.38
FTSE 100	7,628.10	0.37
Nikkei 225	32,506.78	0.90
Hang Seng	19,099.28	-0.05
Straits Times	3,190.11	0.03
KLCI 30	1,383.17	0.14
FX		
Dollar Index	104.13	0.12
EUR/USD	1.0693	-0.19
GBP/USD	1.2424	-0.11
USD/JPY	139.63	0.04
AUD/USD	0.6671	0.82
USD/CNH	7.1289	0.14
USD/MYR	4.6085	0.70
USD/SGD	1.3486	-0.05
Commodities		
WTI (\$/bbl)	71.74	-0.57
Brent (\$/bbl)	76.29	-0.55
Gold (\$/oz)	1,965.50	0.38
Copper (\$\$/MT)	8,339.00	0.05
Aluminum(\$/MT)	2,210.00	-1.52
CPO (RM/tonne)	3,384.50	1.61

Source: Bloomberg, HLBB Global Markets Research

Eurozone retail sales were flat

- Eurozone's retail sales came below expectations and were unchanged in April (March: -0.4% m/m) as consumers spent less on food and car fuel, but increased purchases of other products, particularly online.

Singapore's PMI edged down, but still above long-term average

- The S&P Global Singapore PMI pulled back to 54.5 in May (Apr: 55.3), signalling a still robust expansion that was above the long-run average. A sharper rise in demand indicated a solid pipeline, but this is constrained by supply and manpower shortages. Input price inflation eased to an 18-month low but remained relatively high, and thus, continued to weigh on business confidence.

House View and Forecasts

FX	This Week	2Q-23	3Q-23	4Q-23	1Q-24
DX	103-105	100.97	99.96	97.96	96.98
EUR/USD	1.06-1.08	1.10	1.11	1.12	1.13
GBP/USD	1.24-1.27	1.24	1.25	1.24	1.24
USD/JPY	137-140	131	130	128	128
AUD/USD	0.64-0.67	0.68	0.68	0.69	0.70
USD/MYR	4.57-4.67	4.39	4.35	4.31	4.28
USD/SGD	1.34-1.36	1.31	1.30	1.27	1.26

Rates, %	Current	2Q-23	3Q-23	4Q-23	1Q-24
Fed	5.00-5.25	5.00-5.25	5.00-5.25	5.00-5.25	5.00-5.25
ECB	3.75	4.00	4.00	4.00	4.00
BOE	4.50	4.75	4.75	4.75	4.75
BOJ	-0.10	-0.10	-0.10	-0.10	-0.10
RBA	4.10	4.10	4.10	4.10	4.10
BNM	3.00	3.00	3.00	3.00	3.00

Source: HLBB Global Markets Research

Up Next

Date	Events	Prior
7-June	AU GDP SA QoQ (1Q)	0.50%
	US MBA Mortgage Applications	-3.70%
	US Trade Balance (Apr)	-\$64.2b
	CH Exports YoY (May)	8.50%
	CH Imports YoY (May)	-7.90%
8-June	US Consumer Credit (Apr)	\$26.514b
	UK RICS House Price Balance (May)	-39%
	JN GDP SA QoQ (1Q F)	0.40%
	JN Trade Balance BoP Basis (Apr)	-¥454.4b
	JN Bank Lending Ex-Trusts YoY (May)	3.50%
	AU Exports MoM (Apr)	4%
	AU Imports MoM (Apr)	2%
	JN Eco Watchers Survey Outlook SA (May)	55.7
	MA Foreign Reserves	\$114.7b
	EC GDP SA QoQ (1Q F)	0.10%
	EC Employment QoQ (1Q F)	0.60%
	EC Employment YoY (1Q F)	1.70%
	US Initial Jobless Claims	232k
	US Continuing Claims	1795k
	US Wholesale Trade Sales MoM (Apr)	-2.10%
	US Wholesale Inventories MoM (Apr F)	-0.20%

Source: Bloomberg

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