8 February 2023

Global Markets Research
Daily Market Highlights

8 Feb: Stocks rose after Powell's hawkish comments

Stocks ricocheted; DXY slipped and front-end UST advanced
RBA raised cash rates by 25bps to 3.35%; Further increases is needed
Malaysia's Dec IPI growth slowed to 3.0%; Reaffirming 4Q GDP growth forecast of 4.9%

- US stocks closed higher after the major indices ricocheted during and shortly after Federal Reserve Chair Jerome Powell's midday conversation at the Economic Club of Washington. The S&P 500 was up 1.3% d/d, while Nasdaq Composite gained 1.9% d/d. The Dow Jones Industrial Average added 0.8% d/d. In a nutshell, Powell said that while inflation was on the decline, interest rates need to keep rising to quash inflation and floated the idea that borrowing costs may reach a higher peak than traders and policy makers anticipate. He added that the latest jobs reports show why cooling prices take time.

- European markets nudged fractionally as investors awaited comments from Powell. Stoxx 600 was choppy through the session and closed up 0.2% d/d. FTSE 100 gained 0.4% d/d. Stocks in Asia-Pacific traded mixed, as investors digested RBA's 25bps rate hike and hawkish guidance. The S&P/ASX 200 fell 0.5% d/d. Hang Seng index rose 0.4% d/d, while the Hang Seng Tech Index climbed 1.2% d/d as shares of Baidu jumped on a recent announcement on its artificial chatbot.

- Powell's hawkish guidance sparked a rally in short-term maturity Treasuries, sending the 2-year Treasury yield down by around 1bps to 4.47%. The 10-year Treasury yield was last up by around 3bps at 3.67%.

- Dollar fell from one-month highs after Powell's comments. DXY slipped 0.2% d/d to 103.43. EUR was flat against USD at 1.0726, while GBP strengthened 0.2% d/d. AUD appreciated 1.1% d/d after the RBA sounded a more hawkish policy tilt than many had expected. JPY rebounded to gain 1.2% d/d while CNH strengthened marginally by 0.3% d/d. SGD also gained 0.3% d/d/ vis-à-vis USD to close at 1.3242. MYR weakened 1.0%% d/d to close at 4.3025.

- Oil prices climbed more than 3.0% on Tuesday after Saudi Aramco increased most of its selling prices for shipments to Asia in March. West Texas Intermediate (WTI) surged 4.1% d/d, while Brent gained 3.3% d/d. Price of gold was relatively stable, gaining 0.3% d/d.

US consumer credit rose at the smallest clip in 2 years

- US consumer credit rose at the smallest clip in nearly 2 years at +$11.6bn in December (Nov: +$33.1bn). Revolving credit outstanding, which includes credit cards, pulled back to +$7.2bn (Nov: +$15.3bn), the least since August 2021, while non-revolving credit, which includes loans for

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	34,156.69	0.78
S&P 500	4,164.00	1.29
NASDAQ	12,113.79	1.90
Stoxx Eur 600	458.19	0.23
FTSE 100	7,864.71	0.36
Nikkei 225	27,685.47	-0.03
Hang Seng	21,298.70	0.36
Straits Times	3,380.84	-0.15
KLCI 30	1,476.38	-0.95
FX		
Dollar Index	103.43	-0.19
EUR/USD	1.0726	0.00
GBP/USD	1.2048	0.24
USD/JPY	131.07	-1.20
AUD/USD	0.6959	1.10
USD/CNH	6.7839	-0.32
USD/MYR	4.3025	1.03
USD/SGD	1.3242	-0.27
Commodities		
WTI ($/bbl)	77.14	4.09
Brent ($/bbl)	83.69	3.33
Gold ($/oz)	1,871.70	0.29
Copper ($$/MT)	8,925.00	0.60
Aluminum($/MT)	2,524.50	-0.36
CPO (RM/tonne)	3,825.00	2.33

Source: Bloomberg, HLBB Global Markets Research school tuition and vehicle purchases increased by +$4.4bn (Nov: +$17.8bn), the smallest since August 2020.

- December trade deficit widened less than expected to $67.4bn (Nov: -$61.0bn). The increase in deficit reflected an increase in goods deficit at $90.6bn (Nov: -$83.2bn) as exports continued to contract 1.7% m/m (Nov: -2.6% m/m), while imports rebounded to grow by 1.8% m/m (Nov: -7.4% m/m). Notable increases were seen in imports of automotive and consumer goods.

RBA raised cash rates by 25bps to 3.35%, added that further increases will be needed

- As per expectations, the Reserve Bank of Australia increased the cash rate target by 25bps to 3.35%. In its accompanying statement, RBA also added that further increases in interest rates will be needed over the months ahead to ensure that inflation returns to target and that this period of high inflation is only temporary. As it is, consensus is expecting rates to increase by another 25bps to 3.60% by end of 1Q.
- Australia's trade balance shrank more than expected to A$12.2bn December (Nov: +A$13.5bn), driven largely by a fall in exports of mineral fuels and mining goods, while imports increased slightly on demand for overseas travel. Exports shrank 1.0% m/m (Nov: -1.0% m/m), while imports rebounded to grow by 1.0% m/m (Dec: -3.0% m/m).

Japan's leading index fell more than expected to 97.2

- Japan's leading index declined less than expected to 97.2 in December (Nov: 97.7). Notable sub-indices which contributed to this decline include producer's final demand, new job offers, Nikkei price commodity index, M2 and stock prices.

Malaysia's IPI slowed more than forecast

- Growth in Malaysia's Industrial Production Index (IPI) tapered off more than expected to 3.0% y/y in December (Nov: +4.8% y/y), its slowest increase since Sept 2021, as output at the manufacturing, and mining sectors expanded at slower pace. On top of this, the slower output gain was evident across both the export- as well as domestic-oriented sectors, a sign slower external demand and domestic headwinds are taking a toll on the Malaysian economy.
- In tandem with the softer traction in IPI, manufacturing sales also reported slower growth for the 4th straight month, increasing a mere 8.6% y/y in December (Nov: +11.8% y/y), its smallest gain since Aug 2021. Despite the slower sales value, employment condition in the manufacturing sector remained healthy, underscoring a healthy labour market that will continue to underpin private consumption ahead. The number of employed increased at a slightly faster pace of 3.4% y/y and 0.5% m/m in December (Nov: +3.3% and +0.3% m/m), while growth in salaries & wages quickened to 5.4% y/y or 8.5% m/m (Nov: +4.7% and +0.1% m/m), potentially fanning wage inflation again.

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	1.05-1.10	1.10	1.11	1.11	1.11
GBP/USD	1.18-1.23	1.26	1.27	1.27	1.27
USD/JPY	130-135	130	128	128	128

AUD/USD	0.67-0.72	0.70	0.72	0.72	0.72
USD/MYR	4.28-4.35	4.31	4.28	4.28	4.28
USD/SGD	1.30-1.35	1.32	1.30	1.30	1.30

Rates, %	Current	1Q-23	2Q-23	3Q-23	4Q-23
Fed	4.50-4.75	4.75-5.00	4.75-5.00	4.75-5.00	4.75-5.00
ECB	3.00	3.50	3.50	3.50	3.50
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
8-Feb	JN Bank Lending Incl Trusts YoY (Jan)	2.70%
	JN Eco Watchers Survey Current SA (Jan)	47.9
	JN Eco Watchers Survey Outlook SA (Jan)	47
	US MBA Mortgage Applications	-9.00%
	US Wholesale Trade Sales MoM (Dec)	-0.60%
	US Wholesale Inventories MoM (Dec F)	0.10%
9-Feb	UK RICS House Price Balance (Jan)	-42%
	MA Foreign Reserves	$114.9b
	US Initial Jobless Claims	183k
	US Continuing Claims	1655k
9-15 Feb	CH Aggregate Financing CNY (Jan)	1310.0b
	CH Money Supply M2 YoY (Jan)	11.80%
	CH Money Supply M0 YoY (Jan)	15.30%
	CH New Yuan Loans CNY (Jan)	1400.0b
	CH Money Supply M1 YoY (Jan)	3.70%

Source: Bloomberg

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