

8 May 2023

## Global Markets Research

### Daily Market Highlights

# 8 May: Risk-on amid upside surprises in US job data

**Nonfarm job gains surprised on the upside at +253k; unemployment rate eased to 3.4%**

**The Dow snapped 4-day losing streak; UST yields jumped on dial-back in rate cut bets**

**China Caixin Services PMI eased to 56.4; still second-highest on record**

- Wall Street posted strong gains on Friday, with the Dow Jones Industrial Average gaining more than 500 points or up 1.7% d/d, S&P 500 climbing 1.9% d/d and Nasdaq Composite advancing 2.3% d/d respectively after the strong US employment report eased concerns over looming recession risks. Stocks were also boosted by a rebound in regional banking shares as well a jump in Apple after its better-than-expected quarterly earnings.
- European stocks also closed higher, with the Stoxx 600 closing up 1.1% d/d, while FTSE 100 added 1.0% d/d. Markets in Asia were mixed, with Hang Seng index leading gains in the region at +0.5% d/d. Nikkei 225 also posted a marginal gain of +0.1% d/d, but CSI 300 slipped 0.3% d/d after a weaker-than-expected Caixin Services PMI reading.
- UST yields jumped after the strong employment data cooled rate-cuts bets. The 2Y surged 12bps to 3.91%, while the 10Y rose 6bps to 3.44%. European bonds also closed higher between 2 to 13bps.
- The DXY climbed to as high as 101.78 after the NFP data, but slid to 101.21 at the close, down marginally 0.2% d/d. AUD led gains amongst the G10 currencies, jumping 0.8% d/d. EUR also traded slightly stronger above the flatline by +0.1% d/d, while GBP appreciated 0.5% d/d. JPY, on the other hand, weakened 0.4% d/d. MYR and SGD were both stronger at 0.4% d/d and 0.2% d/d respectively at 4.4363 and 1.3258.
- Oil prices rebounded on Friday, with the West Texas Intermediate and Brent gaining 4.1% d/d and 3.9% d/d respectively. In a news update, Iraq said that it has yet to strike a deal with Turkey on the resumption of almost half a million barrels per day of Iraqi exports through the country. Price of gold, meanwhile, made a 1.5% d/d retreat after the stronger-than-expected NFP data tempered expectations of rate cuts.

### Gains in US NFP unexpectedly accelerated to +253k on healthcare and social assistance; unemployment rate eased to 3.4%

- Gains in non-farm payroll employment (NFP) unexpectedly accelerated to +253k in April (March: +165k revised), and in tandem with this, unemployment rate unexpectedly eased to 3.4% (March: 3.5%), matching a record low seen in January. On average, gains in NFP are still a shade lower than the average 290k gains in the six months to March and almost 1 in 4 of the new jobs were in health care and social assistance. Employment also picked up in professional and business services as well as leisure and

#### Key Market Metrics

	Level	d/d (%)
<b>Equities</b>		
Dow Jones	33,674.38	1.65
S&P 500	4,136.25	1.85
NASDAQ	12,235.41	2.25
Stoxx Eur 600	465.31	1.08
FTSE 100	7,778.38	0.98
Nikkei 225	29,157.95	0.12
Hang Seng	20,049.31	0.50
Straits Times	3,266.63	-0.08
KLCI 30	1,431.04	0.35
<b>FX</b>		
Dollar Index	101.21	-0.18
EUR/USD	1.1019	0.06
GBP/USD	1.2636	0.49
USD/JPY	134.80	0.38
AUD/USD	0.6749	0.84
USD/CNH	6.9219	0.10
USD/MYR	4.4363	-0.42
USD/SGD	1.3258	-0.17
<b>Commodities</b>		
WTI (\$/bbl)	71.34	4.05
Brent (\$/bbl)	75.30	3.86
Gold (\$/oz)	2,024.80	-1.50
Copper (\$\$/MT)	8,581.50	1.04
Aluminum(\$/MT)	2,318.50	1.38
CPO (RM/tonne)	4,076.00	-0.31

Source: Bloomberg, HLBB Global Markets Research

hospitality. With this, average hourly earnings also unexpectedly accelerated to +0.5% m/m in April (Mar: +0.3% m/m), the fastest pace since last July, adding to the Fed's concerns that the pace of wage growth remained inconsistent with the targeted 2% inflation rate. Average workweek and labour force participation rate, meanwhile, was unchanged at 34.4 hours and 62.6% respectively. While all seems positive, March's gain was revised sharply lower by 71k while net two-month revisions were trimmed by 149k, somewhat negated the strong headline although this was shrugged off by markets.

- Consumer credit increased more than expected to \$26.5bn in March (Feb: \$15.0bn), the most in four months driven by a spike in credit card balances. Revolving credit, which includes credit card balances, jumped \$17.6bn, the largest in a year while non-revolving credits, which includes loans for school tuition and auto, held up at \$8.9bn.

#### **Euro retail sales contracted, negative for consumer spending in 2Q GDP calculation**

- The contraction in Eurozone's retail sales was worse than expected by 1.2% m/m and 3.8% y/y in March (Feb: -0.2% m/m and -2.4% y/y) as rapid inflation and rising interest rates limit households' purchasing power. Declines were seen across all major clusters with the exception of automotive fuel.

#### **RBA signalled peak rate of around 3.75% vs 3.85% now; Australia's lending to home loans unexpectedly rose**

- In its latest monetary policy statement; the RBA expects: 1) The cash rate to peak at around 3.75% before declining to around 3.00% by mid-2025, implying the next move could be a cut. 2) GDP is expected grow by 1.3% for the year ended 2023 (Previous forecast: 1.5%) and 1.8% for the year ended 2024 (Previous: 1.5%). 3) Unemployment rate is expected to ease to 3.5% in June 2023 (Previous: 3.5%) before rising to 4.3% in June 2024 (Previous: 4.0%) and 4.5% in June 2025 (Previous: 4.5%). 4) Inflation is expected to ease to 6.3% in June 2023 (Previous: 6.8%), 3.5% in June 2024 (Previous: 3.5%) and 3.0% in June 2025 (Previous: 3.0%).
- Growth in Australia's home loans unexpectedly rose 4.9% m/m in March (Feb: -1.0% m/m), driven by a rebound in both investment and owner-occupied lending. While this was the first monthly rise since January 2022, it remained 26.3% lower y/y.

#### **Caixin PMI Services fell to 56.4; still second-highest recorded**

- Caixin China PMI Services fell more than expected to 56.4 in April (March: 57.8). Although down m/m, this is the second-highest recorded since November 2020. Growth in both output and new orders softened during the month, while job creation moderated and slipped to a 3-month low. contributing to a further increase in backlogs of work.

#### **Singapore retail sales rose for the second month**

- Singapore's retail sales rose for the second straight month in March, though at a slower pace of +4.5% y/y (Feb: +12.6% y/y). No doubt, sales in February were partly boosted by a lower base in 2022, but we note that sales of food and alcohol soared 55.1% y/y (Feb: +70.0% y/y). This was mainly due to demand for alcoholic drinks, including those sold in duty free shops, as tourism recovered.

### House View and Forecasts

FX	This Week	2Q-23	3Q-23	4Q-23	1Q-24
DXY	100-103	100.97	99.96	97.96	96.98
EUR/USD	1.09-1.11	1.10	1.11	1.12	1.13
GBP/USD	1.25-1.27	1.24	1.25	1.24	1.24
USD/JPY	135-138	131	130	128	128
AUD/USD	0.66-0.68	0.68	0.68	0.69	0.70
USD/MYR	4.43-4.46	4.39	4.35	4.31	4.28
USD/SGD	1.32-1.34	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	4.25	4.50	4.50	4.50	4.50
BOJ	-0.10	-0.10	-0.10	-0.10	-0.10
RBA	3.85	3.85	3.85	3.85	3.85
BNM	3.00	3.00	3.00	3.00	3.00

Source: HLBB Global Markets Research

### Up Next

Date	Events	Prior
8-May	JN Jibun Bank Japan PMI Services (Apr F)	54.9
	AU NAB Business Conditions (Apr)	16
	AU Private Sector Houses MoM (Mar)	11.30%
	EC Sentix Investor Confidence (May)	-8.7
	US Wholesale Inventories MoM (Mar F)	0.10%
	US Wholesale Trade Sales MoM (Mar)	0.40%
8-19 May	EC EU Commission Economic Forecasts	
9-May	AU CBA Household Spending MoM (Apr)	8.00%
	JN Labor Cash Earnings YoY (Mar)	1.10%
	JN Household Spending YoY (Mar)	1.60%
	AU Westpac Consumer Conf SA MoM (May)	9.40%
	AU Retail Sales Ex Inflation QoQ (1Q)	-0.20%
	MA Manufacturing Sales Value YoY (Mar)	10.30%
	MA Industrial Production YoY (Mar)	3.60%
	MA Foreign Reserves	\$115.9bn
	US NFIB Small Business Optimism (Apr)	90.1
	CH Exports YoY (Apr)	14.80%
	CH Imports YoY (Apr)	-1.40%
9-15 May	CH Aggregate Financing CNY (Apr)	5380.0b

Source: Bloomberg

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