

8 June 2023

Global Markets Research

Daily Market Highlights

8 June: Bank of Canada's move spooked markets

BoC unexpectedly raised rates after a 4-month pause; UST yields moved higher; Flat DXY

OECD expects global GDP growth of 2.7% in 2023, 2.9% in 2024; Risks tilted downwards

Australia posted slowest GDP growth in 1.5 years; Contractionary China's trade data

- Spooked by the Bank of Canada's (BoC) unexpected decision to lift its policy rate by 25bps after a 4-month pause, Wall Street came under pressure and saw the S&P 500 ticking down 0.4% d/d and the Nasdaq dipping 1.3% d/d to close the day. The Dow Jones Industrial Average was the outlier with a 0.3% d/d gain. Sentiment was also dampened by worries over a slowing in China's growth after its trade data disappointed. European stocks closed slightly lower as sentiment remained cautious. Stoxx 600 fell 0.2% d/d, while FTSE 100 slipped 0.1% d/d. Asian markets traded mixed, with Hang Seng climbing 0.8% d/d, while Nikkei 225 and CSI 300 slid 1.8% d/d and 0.5% d/d respectively.
- BoC's move also drove the 2Y UST yields to its highest in nearly 2 weeks as investors reassessed Fed rate bets. The 2Y rose 8bps to 4.56%, while the 10Y closed up 14bps to 3.80%. The 10Y European bonds yield closed mixed, between -2 to +15bps.
- The DXY recovered slightly to finish flat at 104.10 after BoC's move after dropping to as low as 103.66 earlier in the day. While EUR and GBP strengthened by 0.1% d/d each, Asian currencies predominantly depreciated during the day. JPY and CNH weakened by 0.4% d/d and 0.3% d/d respectively, while SGD closed flat at 1.3488. MYR was the outlier, appreciating 0.2% d/d to 4.5975.
- Oil gained between 0.9%-1.1% d/d amidst USD weakness and after data showed that US refiners ramped up production ahead of potentially strong summer demand. Gold slipped 1.2% d/d as UST yields ticked higher.

OECD: Global economic outlook improving, albeit to a low growth recovery

- Key highlights from the latest OECD Economic Outlook include: 1) OECD projects a moderation of global GDP growth from 3.3% in 2022 to 2.7% in 2023 and 2.9% in 2024. Risks are tilted to the downside given the uncertainty over the evolution of Russia's war against Ukraine and its global impact. 2) Headline inflation in the OECD area is projected to soften from 9.4% in 2022 to 6.6% in 2023 and 4.3% in 2024 due to tighter monetary policy, lower energy and food prices as well as reduced supply bottlenecks. 3) GDP growth in the US is projected to be 1.6% in 2023 and 1.0% in 2024 due to tighter monetary and financial conditions. 4) In the euro area, declining headline inflation will help to boost real incomes and contribute to a pick-up in GDP growth from 0.9% in 2023 to 1.5% in 2024. 5) China is expected to see strong increases in

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	33,665.02	0.27
S&P 500	4,267.52	-0.38
NASDAQ	13,104.89	-1.29
Stoxx Eur 600	460.80	-0.19
FTSE 100	7,624.34	-0.05
Nikkei 225	31,913.74	-1.82
Hang Seng	19,252.00	0.80
Straits Times	3,179.58	-0.33
KLCI 30	1,378.65	-0.33
FX		
Dollar Index	104.10	-0.02
EUR/USD	1.0699	0.06
GBP/USD	1.2438	0.11
USD/JPY	140.13	0.36
AUD/USD	0.6652	-0.28
USD/CNH	7.1477	0.26
USD/MYR	4.5975	-0.24
USD/SGD	1.3488	0.01
Commodities		
WTI (\$/bbl)	72.53	1.10
Brent (\$/bbl)	76.95	0.87
Gold (\$/oz)	1,942.70	-1.16
Copper (\$\$/MT)	8,293.50	-0.55
Aluminum(\$/MT)	2,219.00	0.41
CPO (RM/tonne)	3,394.50	0.30

Source: Bloomberg, HLBB Global Markets Research

GDP growth of 5.4% in 2023 and 5.1% in 2024 due to the lifting of the government's zero-COVID policy.

US trade deficit largest in 6 months; consumer credit highest in 5 months

- Although less than expected, the trade deficit widened to the largest in 6 months at \$74.6bn in April (March: \$60.6bn) as exports fell by the most since the pandemic while imports picked up. The 3.6% m/m (March: +1.8% m/m) decline in exports were relatively broad, while imports rose 1.5% (March: -1.6% m/m) led by imports of motor vehicles and parts, industrial supplies, mobile phones and other household goods.
- Consumer credit unexpectedly rose by the most in 5 months by \$23.0bn in April (March: \$22.8bn), reflecting increases in both credit card balances and non-revolving credit. The latter, which includes loans for school tuition and auto purchases, increased the most in 3 months. While a strong labour market has supported consumer spending, there are emerging concerns that consumers are tapping on credit cards to pay for necessities.
- Despite mortgage rates declining 10bps w/w from a recent high to 6.81%, mortgage applications slipped for the fourth week and contracted 1.4% w/w for the week ending June 2 (May 26: -3.7% w/w). Nevertheless, we note that the pace of contraction has narrowed and purchase activity was also affected by the ongoing lack of for-sale inventory in the market.

UK House Price index improved further but still contractionary

- UK RICS House Price Index unexpectedly improved to -30 in May (Apr: -39). Although still negative as the property market continued grapple with high mortgage rates, the index has shown m/m improvement since February and this is the least negative figure since November 2022.

Australia posted slowest growth in 1.5 years at +0.2% q/q

- Australia's economy decelerated more than expected and posted its slowest growth in 1.5 years at +0.2% q/q in 1Q (4Q: +0.6% q/q). Domestic demand was the primary contributor to GDP growth, while net trade detracted from growth during the quarter. For the former, capital investment drove demand, but consumption expenditure by households and government were subdued. Of note, discretionary spending fell below essentials for the first time since the lockdown.

Japan Leading Index below expectations

- Japan's April leading index came below expectations at 97.6 (March: Downwardly revised 96.9). The m/m uptick was seen across all sub-indices with the exception of producer's final demand, floor area (housing starts) and Nikkei Commodity price index. The assessment of the coincident index, meanwhile, was left unchanged as "weakening." Separately, bank lending accelerated for the second month to +3.4% y/y in May (Apr: +3.2% y/y).
- Japan's final 1Q GDP was revised upwards by 0.3ppts to +0.7% q/q (4Q: +0.1% q/q). The upward revision largely reflects stronger reading in business spending, while upward revision in inventory contribution also boosted figures.

China's trade data suggests weak external and domestic demand

- China's exports registered its first contraction in three months in May, falling more than expected by -7.5% y/y (Apr: +8.5% y/y). Domestic demand did not fare better, with imports also declining -4.5% y/y, albeit less than street

estimate (Apr: -7.9% y/y). While Beijing has pledged to shore up trade to support economic recovery, the m/m contractions in exports to major trading partners and most products suggests that the targeted GDP growth of 5% remains at risk and more stimulus is needed.

House View and Forecasts

FX	This Week	2Q-23	3Q-23	4Q-23	1Q-24
DXY	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
8-June	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%
9-June	US Wholesale Inventories MoM (Apr F)	-0.20%
	CH CPI YoY (May)	0.10%
	CH PPI YoY (May)	-3.60%
	MA Manufacturing Sales Value YoY (Apr)	8.00%
9-15 June	MA Industrial Production YoY (Apr)	3.10%
	CH Aggregate Financing CNY (May)	1220.0b

Source: Bloomberg

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