9 January 2023

Global Markets Research

Daily Market Highlights

9 Jan: Stocks staged first big rally of 2023

Dow closed up 700 points as hope grows that inflation will ease

UST yields slipped; DXY erased earlier gains to settle at 103.88

NFP reaffirmed a solid labour market; wages cooled; giving Fed room to slow hikes

- US stocks advanced Friday after the December jobs report and an ISM-Services index showed signs that inflation may be cooling, signalling that the Federal Reserve's interest rate hikes are having their intended effect. The Dow Jones Industrial Average rebounded 2.1% d/d, the S&P 500 ended up 2.3% d/d higher while Nasdaq Composite added 2.6% d/d.

- European markets also climbed as investors digested key Eurozone inflation data and hoped that falling inflation will pave the way for the ECB to temper its aggressive monetary policy tightening cycle. Stoxx 600 closed 1.1% d/d higher, while FTSE 100 added 0.9% d/d. Shares in Asia-Pacific ticked higher overnight, led by South Korea's Kospi which gained 1.1% d/d. Nikkei 225 rose 0.6% d/d. Hong Kong's Hang Seng index pared most of its gains and was marginally at -0.3% d/d despite China reportedly signalled more supportive measures for its property sector ahead. CSI300 edged up by 0.3% d/d.

- Treasury yields ticked lower, with the yield on the benchmark 10-year Treasury down by about 16bps at 3.56%. The 2-year Treasury yield fell around 21bps to 4.25%. The yield on the 30-year Treasury was down nearly 11bps at 3.69%.

- The Dollar Index erased early gains, dipping 1.1% d/d to 103.88, the most in three weeks, after the US job data as well as ISM-Services numbers. JPY gained as much as 1.0% d/d, while EUR rose 1.2% d/d. Sterling also appreciated by 1.6% d/d while the Chinese yuan extended gains for the 3rd straight session at +0.9% d/d. At home, MYR weakened 0.4% d/d to 4.4032, while SGD strengthened 0.5% d/d.

- The WTI settled below $74/barrel, up 0.1% d/d while Brent dipped 0.2% d/d as demand uncertainty continued to hang over the market. As it is, Saudi Arabia cut prices for crude sold to Asia and Europe in February, signalling concerns over the near-term outlook. Gold prices meanwhile, climbed 1.2% d/d as USD retreated with the wage growth numbers.

Nonfarm payroll reaffirmed a solid labour market; wages cooled, giving Fed room to slow hikes

- December nonfarm payrolls report showed that US added more jobs than expected at 223k (Nov: 256k). In tandem with this, unemployment rate also fell more than expected to 3.5%, 0.2ppts lower m/m. By sector, leisure and hospitality led with the hiring, followed by health care, construction and social assistance. Wage growth was, nevertheless, rose less than expected in

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	33,630.61	2.13
S&P 500	3,895.08	2.28
NASDAQ	10,569.29	2.56
Stoxx Eur 600	444.42	1.16
FTSE 100	7,699.49	0.87
Nikkei 225	25,973.85	0.59
Hang Seng	20,991.64	-0.29
Straits Times	3,276.72	-0.48
KLCI 30	1,480.55	-0.03
FX		
Dollar Index	103.88	-1.11
EUR/USD	1.0644	1.16
GBP/USD	1.2093	1.55
USD/JPY	132.08	-1.00
AUD/USD	0.6877	1.85
USD/CNH	6.8303	-0.84
USD/MYR	4.4032	0.35
USD/SGD	1.3395	-0.45
Commodities		
WTI ($/bbl)	73.77	0.14
Brent ($/bbl)	78.57	-0.15
Gold ($/oz)	1,869.70	1.58
Copper ($$/MT)	8,589.50	2.57
Aluminum($/MT)	2,295.50	1.77
CPO (RM/tonne)	4,046.00	-2.13

Source: Bloomberg, HLBB Global Markets Research an indication that inflation pressures could be weakening. Average hourly earnings rose 0.3% m/m and 4.6% y/y (Nov: +0.4% m/m and 4.8% y/y).

- In December, the ISM-Services unexpectedly dipped into negative territory at 49.6 (Nov: 56.5). This is the first contraction since May 2020. The survey revealed that supplier deliveries were faster in December, based on increased capacity and improved logistics. Employment contracted due to a combination of decreased hiring due to economic uncertainty and an inability to backfill open positions. The holiday season contributed to the continued growth in business activity, albeit at a slower rate.
- A report released by the Commerce Department showed a much steeper than expected drop in new orders for manufactured goods at -1.8% m/m (Nov: +0.4% m/m). The sharp pullback in factory orders came as new orders for durable goods plunged by 2.1% m/m, led by a 6.3% m/m nosedive in orders for transportation equipment. Orders for non-durable goods also fell by 1.4% m/m.

Eurozone inflation slowed sharply to 9.2% y/y

- Eurozone inflation slowed sharply more than expected to 9.2% y/y in December (Nov: +10.1% y/y), with softer growth in energy prices behind the moderation. Core-inflation, nevertheless, hit a record of 5.2% y/y (Nov: +5.0% y/y), more than expected.
- Retail sales, meanwhile, rebounded more than expected at +0.8% m/m in November (Oct: -1.5% y/y), thanks to more sales of fuel at petrol stations. The volume of sales of automotive fuel in specialised stores rose 1.0% m/m.
- Economic Sentiment rose more than expected at 95.8 in December (Nov: 94.0) with Employment Expectations remained robust. Services confidence also rose more than expected, while the contraction in industrial confidence narrowed, albeit worse than expectations. Consumer confidence, meanwhile, was unchanged.

Japan’s real wages fell at the fastest pace in over 8 years

- Japan's real wages fell more than expected and at its fastest rate in over 8 years at 3.8% y/y in November (Oct: -2.9% m/m). This was a a result of higher inflation, while nominal pay growth slowed despite rising for the 11th straight month. Nominal total cash earnings slowed more than expected at +0.5% y/y (Oct: +1.4% y/y), led by falls in special payments such as bonuses.
- The au Jibun Bank Japan Services Business Activity Index rose to 51.1 in December (Nov: 50.3). The pace of expansion was only mild overall but was quicker than the average for the whole of 2022. Boosted tourism volumes, resulting from the continued success of the National Travel Discount Programme, and a sustained easing in COVID-19 disruptions were pivotal factors supporting demand in the services sector

House View and Forecasts

FX	This Week	1Q-23	2Q-23	3Q-23	4Q-23
DXY	103-106	98.00	96.04	96.04	96.04
EUR/USD	1.04-1.06	1.10	1.11	1.11	1.11
GBP/USD	1.18-1.20	1.26	1.27	1.27	1.27
USD/JPY	130-135	130	128	128	128
AUD/USD	0.66-0.69	0.70	0.72	0.72	0.72
USD/MYR	4.37-4.41	4.31	4.28	4.28	4.28
USD/SGD	1.34-1.36	1.32	1.30	1.30	1.30

Rates, %	Current	1Q-23	2Q-23	3Q-23	4Q-23
Fed	4.25-4.50	4.75-5.00	4.75-5.00	4.75-5.00	4.75-5.00
ECB	2.50	3.00	3.00	3.00	3.00
BOE	3.50	4.00	4.00	4.00	4.00
BOJ	-0.10	-0.10	-0.10	-0.10	-0.10
RBA	3.10	3.35	3.35	3.35	3.35
BNM	2.75	3.00	3.00	3.00	3.00

Source: HLBB Global Markets Research

Up Next

Date	Events	Prior
9-Jan	AU Building Approvals MoM (Nov)	-6.00%
	MA Foreign Reserves	$110.3b
	EC Sentix Investor Confidence (Jan)	-21
	EC Unemployment Rate (Nov)	6.50%
9-15 Jan	CH Aggregate Financing CNY (Dec)	1990.0b
10-Jan	US Consumer Credit (Nov)	$27.078b
	JN Tokyo CPI YoY (Dec)	3.80%
	JN Household Spending YoY (Nov)	1.20%
	US NFIB Small Business Optimism (Dec)	91.9
	US Wholesale Trade Sales MoM (Nov)	0.40%
	US Wholesale Inventories MoM (Nov F)	1.00%

Source: Bloomberg

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