

9 March 2023

Global Markets Research

Daily Market Highlights

9 March: 2Y UST yield jumped to its highest since 2006

Powell: Fresh jobs and inflation data to determine rate hike pace at March FOMC meeting

JOLTS survey, ADP employment data reaffirmed a solid labour market

Fed Beige Book: Economic activity increased slightly in early 2023

- Wall Street whipsawed and Dow Jones finished slightly lower as the market didn't get much relief from Federal Reserve Chairman Jerome Powell's softened tone in his second day of testimony to the Congress. Dow Jones slipped 0.2% d/d, but the S&P 500 traded 0.1% d/d higher. Nasdaq Composite also gained 0.4% d/d. Equity markets in Europe and Asia also fought to overcome Tuesday's selloff. Stoxx 600 and FTSE 100 closed 0.1% d/d higher, while Nikkei 225 added 0.5% d/d. Hang Seng lost 2.4% d/d.

In his testimony, Powell said that policy makers will wait for fresh jobs and inflation data before deciding how much to raise the fed funds rate in the upcoming March FOMC meeting. Nevertheless, he reiterated his previous message that the Fed is likely to take rates higher than previously anticipated.

- The 2-year Treasury yield jumped further above 5.00% for the second day, closing up 6bps at 5.07%. The 10-year Treasury yield gained 3bps to 3.99%.
- The Dollar Index closed just above the flatline at 105.66. EUR weakened slightly by less than 0.1% d/d, while GBP gained 0.1% d/d. In Asia, JPY weakened by 0.2% d/d, while CNH gained 0.4% d/d. SGD strengthened slightly less than 0.1% d/d to 1.3538. MYR was one of the worst performers, depreciating by 1.2% d/d to 4.5243.
- Oil fell for a second consecutive session after lower US inventory data from the Energy Information Agency failed to turn trader confidence amidst hawkish Fed tunes. Prices of the West Texas Intermediate and Brent fell 1.2% and 0.8% d/d respectively. Gold continued to slip, albeit at a slower pace of 0.1% d/d after shedding more than 3% in the previous session.

US JOLTS job openings survey and ADP employment above expectations; mortgage applications rebounded; trade deficit widest in 3 months

- According to the JOLTS survey, the number of job openings increased more than expected albeit at a softer pace of 10.8m in January (Dec: +11.2m). Decreases in job openings were seen in the construction, accommodation and food services as well as finance and insurance sectors. The ADP National Employment Report, on the other hand, showed that employers added more jobs than expected by 242k in February (Jan: +119k). All in, job gains are solid and wage growth remains elevated.
- Trade deficit grew to the widest in 3 months, albeit slightly lower than expected at \$68.3bn in January (Dec: -\$67.2bn). The wider deficit reflects

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	32,798.40	-0.18
S&P 500	3,992.01	0.14
NASDAQ	11,576.00	0.40
Stoxx Eur 600	460.99	0.08
FTSE 100	7,929.92	0.13
Nikkei 225	28,444.19	0.48
Hang Seng	20,051.25	-2.35
Straits Times	3,226.86	-0.57
KLCI 30	1,454.66	-0.27
FX		
Dollar Index	105.66	0.04
EUR/USD	1.0545	-0.04
GBP/USD	1.1845	0.13
USD/JPY	137.36	0.15
AUD/USD	0.6589	0.08
USD/CNH	6.9684	-0.36
USD/MYR	4.5243	1.17
USD/SGD	1.3538	-0.04
Commodities		
WTI (\$/bbl)	76.66	-1.19
Brent (\$/bbl)	82.66	-0.76
Gold (\$/oz)	1,818.60	-0.08
Copper (\$\$/MT)	8,910.50	1.68
Aluminum (\$/MT)	2,354.00	0.17
CPO (RM/tonne)	4,220.00	-0.78

Source: Bloomberg, HLBB Global Markets Research

resilient domestic demand which fuelled an increase in imports (+3.0% m/m vs Dec: +1.1% m/m), offsetting the turnaround in exports at +3.4% m/m (Dec: -1.2% m/m). Notably, exports of consumer goods and cars hit record, while capital goods shipments were the highest since March 2019.

- Despite the 30-year fixed rate rising to 6.79%, the highest level since November 2022, mortgage applications rebounded to grow by +7.4% w/w for the week ending March 3 (Feb 24: -5.9% w/w). This came after 2 weeks of declines to very low levels, including a holiday week and purchase applications was, nevertheless, still down 42% y/y as many borrowers are waiting on the sideline for rates to come back down.
- Key highlights from the Beige Book include: 1) Overall economic activity increased slightly in early 2023. 2) Consumer spending generally held steady, though a few Districts reported moderate to strong growth in retail sales during what is typically a slow period. 3) Manufacturing activity stabilized. 4) An unexpected uptick in housing activity beyond the seasonal norm was seen in some Districts. 5) Loan demand declined, credit standards tightened, and delinquency rates edged up. 6) Participants did not expect economic conditions to improve much in the months ahead.

Eurozone's 4Q GDP trimmed to zero

- GDP growth in the euro area was trimmed to flat growth q/q in 4Q (Initial estimate: +0.1% q/q vs 3Q: +0.4% q/q). While household expenditure and investment declined, government spending and trade helped offset the drops. Eurostat also revised the figure for employment growth down by 0.1ppts to +0.3% q/q (3Q: +0.3% q/q).

Japan's current and trade account deficit at record; 4Q GDP revised down by 0.5ppts to +0.1%

- Japan logged a record current account deficit in January and exceeded consensus forecast at ¥2.0tn (Dec: +¥33.4bn). The country's trade deficit was also the largest on record at ¥3.2tn yen (Dec: -¥1.2tn). The data underscores the pain that stubbornly high energy costs are inflicting on Japan's economy, which is heavily reliant on imports of fuel and raw material.
- The Leading Index fell to more than forecast at 96.5 in February (Jan: 96.9) led by lower consumer confidence while small business sales forecast worsened. The assessment of the coincident index remains unchanged and is still seen as "weakening." On the other hand, Eco Watchers Outlook rose more than expected to 50.8 in February (Jan: 49.3). Gains were seen in all the sub-indices with the exception of business, notably from non-manufacturers.
- Overall bank lending accelerated to +3.3% y/y in February (Jan: +3.1% y/y).
- Japan's 4Q GDP was revised down to by a whopping 0.5ppts to +0.1% q/q. The revision reflected lower growth for consumer spending at +0.3% q/q (Initial estimate: +0.5% q/q).

House View and Forecasts

FX	This Week	1Q-23	2Q-23	3Q-23	4Q-23
DX	104-106	105	104	103	102
EUR/USD	1.05-1.07	1.05	1.06	1.06	1.06
GBP/USD	1.18-1.20	1.20	1.21	1.21	1.21
USD/JPY	135-138	134	132	132	131
AUD/USD	0.65-0.68	0.69	0.69	0.70	0.71
USD/MYR	4.45-4.55	4.40	4.36	4.30	4.25
USD/SGD	1.34-1.36	1.33	1.31	1.29	1.27

Rates, %	Current	1Q-23	2Q-23	3Q-23	4Q-23
Fed	4.50-4.75	4.75-5.00	5.25-5.50	5.25-5.50	5.25-5.50
ECB	3.00	3.50	3.75	3.75	3.75
BOE	4.00	4.25	4.25	4.25	4.25
BOJ	-0.10	-0.10	-0.10	-0.10	-0.10
RBA	3.60	3.60	3.85	3.85	3.85
BNM	2.75	3.00	3.00	3.00	3.00

Source: HLBB Global Markets Research

Up Next

Date	Events	Prior
9-March	UK RICS House Price Balance (Feb)	-47%
	CH CPI YoY (Feb)	2.10%
	CH PPI YoY (Feb)	-0.80%
	MA BNM Overnight Policy Rate	2.75%
	US Challenger Job Cuts YoY (Feb)	440.00%
	US Initial Jobless Claims	190k
	US Continuing Claims	1655k
9-15 Mar	CH Aggregate Financing CNY (Feb)	5980.0b
10-March	US Household Change in Net Worth (4Q)	-\$392b
	JN Household Spending YoY (Jan)	-1.30%
	JN PPI YoY (Feb)	9.50%
	JN PPI MoM (Feb)	0.00%
	UK Monthly GDP (MoM) (Jan)	-0.50%
	UK Industrial Production MoM (Jan)	0.30%
	UK Trade Balance GBP/Mn (Jan)	-£7150m
	US Average Hourly Earnings YoY (Feb)	4.40%
	US Change in Nonfarm Payrolls (Feb)	517k
	US Unemployment Rate (Feb)	3.40%
	US Average Hourly Earnings MoM (Feb)	0.30%
	US Average Weekly Hours All Employees (Feb)	34.7
	JN BOJ Policy Balance Rate	-0.10%

Source: Bloomberg

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