

9 May 2023

Global Markets Research

Daily Market Highlights

9 May: Muted markets ahead of US CPI

UST yields climbed; Fed said no significant strains in financial stability post SVB debacle

GBP hit 1Y high put erased all intraday gains to close lower ahead of BOE decision

Japan's household spending unexpectedly fell as wages softened further

- The S&P 500 closed near the flat line, edging up 0.05% d/d, as investors looked ahead to the pivotal US April CPI reading. Nasdaq Composite added 0.2% d/d, but the Dow Jones Industrial Average slid 0.2% d/d. In Europe, Stoxx 600 gained 0.4% d/d, while FTSE 100 was closed for a bank holiday in conjunction with King Charles III's coronation. Asia markets closed mixed, with Hang Seng gaining 1.2% d/d, but Nikkei 225 slipped 0.7% d/d after minutes from BOJ's March monetary policy meeting showed that board members were concerned over inflation accelerating at a higher-than-expected pace.
- UST yields climbed and closed at highs after the Federal Reserve's reports showed tighter lending standards but no significant strains in financial stability post SVB's bank rescue. The 2Y rose 9bps to 4.00%, while the 10Y rose 7bps to 3.51%. European bonds also closed higher between 1 to 13bps.
- DXY ticked up amidst higher UST yields, closing near its high of the day at 101.38, or up 0.2% d/d. GBP hit a more than 1-year high at \$1.2668, before retreating to close at \$1.2618, down 0.1% d/d. GBP remains in focus this week ahead of expectations of a 25bps rate hike from BOE this Thursday. EUR also weakened 0.1% d/d, while in Asia, JPY also depreciated 0.2% d/d. CNH and MYR closed relatively flat at 6.9200 and 4.4370 respectively, while SGD strengthened 0.1% d/d to 1.3245.
- The West Texas Intermediate (WTI) and Brent surged 2.6% d/d and 2.3% d/d respectively on positive fuel demand indicators. Price of WTI was also supported by supply disruption in Alberta as wildfires prompted oil and gas wells shutdowns. Price of gold ticked up slightly by 0.4% d/d as investors await the key US inflation data and was supported by China adding to its bullion reserves for the sixth straight month.

US wholesale inventories/sales ratio rose to 1.40

- Wholesale inventories was revised downwards by 0.1ppt to 0.0% in March (Feb: no change), while wholesale trade sales unexpectedly fell 2.1% m/m (Feb +0.4% m/m). Of note, sales were mostly negative across all products, with sales of durable goods turned negative m/m for the month. As inventory build-up outpaced sales, the inventories/sales ratio rose to 1.40 (March: 1.37), suggesting potentially further slowdown in production going forward.
- Some key highlights from the Fed's Financial Stability Report include: 1) Concerns about the economic outlook, credit quality, and funding liquidity could lead banks and financial institutions to contract the supply of credit to

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	33,618.69	-0.17
S&P 500	4,138.12	0.05
NASDAQ	12,256.92	0.18
Stoxx Eur 600	466.94	0.35
FTSE 100	7,778.38	0.98
Nikkei 225	28,949.88	-0.71
Hang Seng	20,297.03	1.24
Straits Times	3,257.66	-0.27
KLCI 30	1,433.74	0.19
FX		
Dollar Index	101.38	0.16
EUR/USD	1.1004	-0.14
GBP/USD	1.2618	-0.14
USD/JPY	135.10	0.22
AUD/USD	0.6782	0.49
USD/CNH	6.9200	-0.03
USD/MYR	4.4370	0.02
USD/SGD	1.3245	-0.10
Commodities		
WTI (\$/bbl)	73.16	2.55
Brent (\$/bbl)	77.01	2.27
Gold (\$/oz)	2,033.20	0.41
Copper (\$\$/MT)	8,581.50	1.04
Aluminum(\$/MT)	2,318.50	1.38
CPO (RM/tonne)	4,117.00	1.01

Source: Bloomberg, HLBB Global Markets Research
 * Date as of 5th May for FTSE 100, copper and aluminium

the economy. In this context, separate report from the Senior Loan Officer April survey showed that the percentage of large and mid-cap banks that have tightened lending standards rose to 3.2% from 1.5% previously. 2) While overall domestic banks have ample liquidity and limited reliance on short-term wholesale funding, structural vulnerabilities remain in short-term funding markets. 3) Risk areas include elevated property valuations and high business debt levels.

Euro Sentix Investor Confidence unexpectedly worsened to -13.1

- Eurozone's Sentix Investor Confidence unexpectedly worsened to -13.1 in May (April: -8.7). The decline in the expectations index was especially marked, slumping to its lowest level since December 2020 at -19.0 as sentiment continued to be affected by stubbornly high inflation and concerns over energy shortages.

Japan's household spending unexpectedly fell as real wages remained contractionary

- Japan's household spending unexpected fell 1.9% y/y in March (Feb: +1.6% y/y). This is largely in line with a separate report that showed nominal and real labour cash earnings unexpectedly remained unchanged at +0.8% y/y and -2.9% y/y respectively. Economists had anticipated earnings to improve slightly and as such, the disappointing data supports BOJ Governor Ueda's stance to maintain an easy monetary policy as he has reiterated that wages must catch up to achieve the 2% targeted inflation.
- The final au Jibun Bank Japan Services Business Activity Index was revised upwards by 0.5ppts to 55.4 in April (March: 55.0). This is the strongest expansion since the survey began in September 2007, boosted by strong increases in travel, leisure and tourism spending. Year ahead expectations also reached a record high during the month, while prices posted the steepest gain in 9 years.

Australia's NAB business conditions eased, building approvals unexpectedly fell

- NAB Business Conditions continued to edge lower to 14 in April (March: 16), but remained above-average levels supported by resilient demand and strong labour market. In contrast, confidence remained below average at 0 (March: -1) suggesting firms expect the strength in business conditions to fade. Separately, building approvals unexpectedly dipped 0.1% m/m in March (Feb: --3.9% m/m).
- The CommBank Household Spending Intentions (HSI) declined by 4.3% m/m in April (March: +8.0% m/m) led by home buying, health and fitness, transport as well as household services sub-indices. While weakness during the month was partly driven by seasonal factors due to less trading days, y/y growth continued to moderate to +3.7% as consumer spending continue be impacted by higher interest rates.

House View and Forecasts

FX	This Week	2Q-23	3Q-23	4Q-23	1Q-24
DX	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
9-May	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%
9-15 May	CH Imports YoY (Apr)	-1.40%
	CH Aggregate Financing CNY (Apr)	5380.0b
10-May	JN Leading Index CI (Mar P)	98.0
	US MBA Mortgage Applications	-1.20%
	US CPI Ex Food and Energy YoY (Apr)	5.60%
	US Real Avg Weekly Earnings YoY (Apr)	-1.60%

Source: Bloomberg

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