

9 June 2023

Global Markets Research

Daily Market Highlights

9 June: S&P 500 surged to its highest closing in 2023

Wall Street rallied on big tech stocks; and expectations the Fed will skip a June rate hike

US jobless claims highest in 1.5 years; UST yield curve shifted lower; DXY plunged

Eurozone entered technical recession in 1Q on weaker public and household spending

- Wall Street rallied on Thursday led by tech stocks and on expectations that the Fed will skip a rate hike next week after the 28k spike in jobless claims. The Dow Jones Industrial Average added 0.5% d/d, while Nasdaq climbed 1.0% d/d. The S&P 500 traded up 0.6% d/d to close at 4,293.93, its highest closing in 2023 and up 20% from its October 12 low. Mega tech stocks were the big gainers, with Amazon, Nvidia, Apple and Microsoft amongst the top performers.
- European stocks, on the other hand, continued to tread water on uncertain sentiment after the latest data showed that the eurozone entered a technical recession in 1Q. Stoxx 600 closed flat but FTSE 100 dipped 0.3% d/d. In Asia, Nikkei 225 fell 0.9% d/d, but Hang Seng edged up by 0.3% d/d.
- The UST yield curve shifted lower with the short-end benefitting from the 28k increase in initial jobless claims. The 2Y fell 4bps to 4.52%, while the 10Y dropped 8bps to 3.72%. The 10Y European bond yields also closed lower between 0 to 10bps with the exception of the Norwegian bonds.
- Hit by a double-whammy from reduced Fed rate hike fears post-jobless claims data against the recent unexpected hikes from the Bank of Canada and Reserve Bank of Australia as well as expectations of another hike from the European Central Bank next week, DXY plunged 0.7% d/d to close at 103.34. EUR gained 0.8% d/d despite the dismal 1Q GDP, while GBP appreciated by 1.0% d/d. In Asia, JPY and CNH strengthened by 0.9% d/d and 0.4% d/d respectively. SGD also appreciated by 0.5% d/d to 1.3427. MYR remained the outlier, depreciating by 0.5% d/d to 4.6210.
- Oil prices pared some of its earlier losses but still closed the day 1.3%-1.7% d/d lower after the White House called regional media reports that the US and Iran may be approaching a deal on oil exports false. Gold rebounded by 1.1% d/d as the greenback weakened after the jobless claims data.

US jobless claims raced to its highest in 1.5 years

- Jobless claims raced to its highest level since October 2021 but less than expected by +28k to 261k for the week ended June 3 (May 27: +3k to 233k). Continuing claims, meanwhile, fell 37k to 1757k for the week May 27 (May 20: +5k to 1794k). As it is, the latest data reaffirmed views of a softening labor market.
- Wholesale inventories fell by 0.1% m/m in April (March: -0.2% m/m) while sales came below expectations at +0.2% m/m (March: -2.7% m/m).

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	33,833.61	0.50
S&P 500	4,293.93	0.62
NASDAQ	13,238.52	1.02
Stoxx Eur 600	460.70	-0.02
FTSE 100	7,599.74	-0.32
Nikkei 225	31,641.27	-0.85
Hang Seng	19,299.18	0.25
Straits Times	3,186.61	0.22
KLCI 30	1,374.64	-0.29
FX		
Dollar Index	103.34	-0.73
EUR/USD	1.0782	0.78
GBP/USD	1.2560	0.98
USD/JPY	138.92	-0.86
AUD/USD	0.6716	0.96
USD/CNH	7.1209	-0.37
USD/MYR	4.6210	0.51
USD/SGD	1.3427	-0.45
Commodities		
WTI (\$/bbl)	71.29	-1.71
Brent (\$/bbl)	75.96	-1.29
Gold (\$/oz)	1,963.60	1.08
Copper (\$\$/MT)	8,347.50	0.65
Aluminum(\$/MT)	2,254.50	1.60
CPO (RM/tonne)	3,403.50	0.27

Source: Bloomberg, HLBB Global Markets Research

Consequently, the inventory/sales dipped slightly to 1.40 (March: 1.41). Of note, the inventory build-up in durable goods like automotive and machinery could be attributed to the contractions in sales for the past two months.

Eurozone entered mild technical recession

- Eurozone's final 1Q GDP was revised downwards by 0.2ppts to -0.1% q/q (4Q: -0.1% q/q), sending the area into its first technical recession since the pandemic. The 1Q weakness was attributable to a drop in government and household spending. Inventories made a negative contribution, while trade supported growth. Ireland, Germany and Greece were among the euro economies that reported contraction during the quarter. Nonetheless, growth is likely to have resumed this quarter and the European Commission expects the economy to grow by 1.1% this year and 1.7% in 2024. Separately, employment growth for 1Q was left unchanged at +0.6% q/q (4Q: +0.3% q/q).

Australia's trade surplus narrowed as exports slumped

- Australia's monthly trade surplus narrowed to \$11.2bn in April (March: \$14.8bn) as exports fell 5.0% m/m, while imports rose 1.6% m/m during the month. The former was driven by a 10.4% m/m plunge in exports of metal ores and minerals, which more than offset the double-digit surge in travel exports due to a rebound in tourism and international student arrivals. The rise in imports, meanwhile, was driven by a jump in civil aircraft and "confidentialised items."

Japan's Eco Watchers fell on households and non-manufacturing

- Japan's Eco Watchers Outlook index unexpectedly pulled back to 54.4 in May (Apr: 55.7). The decline was predominantly driven by the household segment as well as the non-manufacturing sector.

Malaysia's foreign reserves fell again by \$2bn to \$112.7bn

- Malaysia's foreign reserves took a turn and fell \$2.0bn to \$112.7bn as of end-May (15 May: +\$0.3bn to \$ 114.7bn). This is the lowest since December 2022 and is sufficient to finance 4.8 months of imports of goods and services and is 1.0 time of the total short-term external debt.

House View and Forecasts

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

Source: Bloomberg

Hong Leong Bank Berhad

Fixed Income & Economic Research, Global
Markets

Level 8, Hong Leong Tower
6, Jalan Damansara
Bukit Damansara
50490 Kuala Lumpur
Tel: 603-2081 1221
Fax: 603-2081 8936

HLMarkets@hlbb.hongleong.com.my

DISCLAIMER

This report is for information purposes only and does not take into account the investment objectives, financial situation or particular needs of any particular recipient. The information contained herein does not constitute the provision of investment advice and is not intended as an offer or solicitation with respect to the purchase or sale of any of the financial instruments mentioned in this report and will not form the basis or a part of any contract or commitment whatsoever.

The information contained in this publication is derived from data obtained from sources believed by Hong Leong Bank Berhad ("HLBB") to be reliable and in good faith, but no warranties or guarantees, representations are made by HLBB with regard to the accuracy, completeness or suitability of the data. Any opinions expressed reflect the current judgment of the authors of the report and do not necessarily represent the opinion of HLBB or any of the companies within the Hong Leong Bank Group ("HLB Group"). The opinions reflected herein may change without notice and the opinions do not necessarily correspond to the opinions of HLBB. HLBB does not have an obligation to amend, modify or update this report or to otherwise notify a reader or recipient thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

HLB Group, their directors, employees and representatives do not have any responsibility or liability to any person or recipient (whether by reason of negligence, negligent misstatement or otherwise) arising from any statement, opinion or information, expressed or implied, arising out of, contained in or derived from or omission from the reports or matter.

Potential and actual conflict of interest may arise from the activities of HLB Group. HLB Group constitute a diversified financial services group. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, hedging transactions and other activities for their own account or the account of others. In the ordinary course of their business, HLB Group may effect transactions for their own account or for the account of their customers and hold long or short positions in the financial instruments. HLB Group, in connection with its business activities, may possess or acquire material information about the financial instruments. Such activities and information may involve or have an effect on the financial instruments. HLB Group have no obligation to disclose such information about the financial instruments or their activities.

The past performance of financial instruments is not indicative of future results. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Any projections or forecasts mentioned in this report may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information. No assurance can be given that any opinion described herein would yield favourable investment results. Recipients who are not market professional or institutional investor customer of HLBB should seek the advice of their independent financial advisor prior to taking any investment decision based on the recommendations in this report.

HLBB may provide hyperlinks to websites of entities mentioned in this report, however the inclusion of a link does not imply that HLBB endorses, recommends or approves any material on the linked page or accessible from it. Such linked websites are accessed entirely at your own risk. HLBB does not accept responsibility whatsoever for any such material, nor for consequences of its use.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. This report is for the use of the addressees only and may not be redistributed, reproduced or passed on to any other person or published, in part or in whole, for any purpose, without the prior, written consent of HLBB. The manner of distributing this report may be restricted by law or regulation in certain countries. Persons into whose possession this report may come are required to inform themselves about and to observe such restrictions. By accepting this report, a recipient hereof agrees to be bound by the foregoing limitations.