10 January 2023

Global Markets Research

Daily Market Highlights

10 Jan: S&P struggled to stay above 3,900

Nasdaq gained for a second day as investors buy beaten-up tech shares

Rally in stocks fizzled out after Fed speaks; DXY slipped; EUR hit June high against USD

Chinese reopening boosted oil prices; China issued generous quota for crude imports

- The rally in stocks earlier in the day fizzled out after two Federal officials signalled that the fed funds rate could top 5%. Fed Bank of San Francisco President Mary Daly said that she expects the central bank to raise rates to somewhere above 5%, while her Atlanta peer Raphael Bostic added that this could happen as early as 2Q and then go on hold for a long time. S&P 500 struggled to stay above the 3,900 level, after adding almost 1.5% earlier. The index closed the day 0.1% d/d lower at 3,892.1. The Dow Jones slid 0.3% d/d. In contrast, Nasdaq posted a gain of 0.6% d/d, pushed up by a 5.9% rally in Tesla stock.

- Earlier in the day, Stoxx 600 rose 0.9% d/d to its highest level since May 2022 buoyed by a further reopening of the Chinese economy. Asia-Pacific markets also traded higher the first day after Hong Kong and mainland China resumed quarantine-free travel. Hang Seng index gained 1.9% d/d while CSI 300 rose 0.8% d/d.

- Treasury yields fell Monday with the yield on the benchmark 10-year Treasury note down 3bps to 3.53%. The 2-year Treasury traded at 4.21% after slipping 4bps.

- The US Dollar Index slid 0.9% d/d to 103.00 as investors bet recent economic data would prompt the Federal Reserve to slow the pace of interest rate hikes, while riskier currencies benefited from China reopening its borders. The euro gained 0.8% d/d to $1.0730, its highest level vis-à-vis greenback since June 2022. Sterling surged 0.8% d/d. Optimism about a swift economic recovery also sent Chinese yuan up 0.7% d/d to 6.7821. Nearer to home, both the MYR and SGD strengthened 0.7% d/d each against USD, last closed at 4.3733 and 1.3305 respectively.

- Both the WTI and Brent settled up by 1.2% d/d and 1.4% d/d respectively after China's move to reopen its borders boosted the outlook for fuel demand. In oil-specific developments, China issued a generous quota of 111.82m metric tons of crude imports in a sign that its refiners are set to increase output. Gold prices, meanwhile, cooled by 0.4% d/d.

US consumer borrowed more than expected on credit card

- US consumer credit climbed more than expected in November by $28.0bn (Oct: +$27.1bn). Revolving credit, which includes credit cards, led the increase with a +$16.4bn jump, while non-revolving credit, which includes

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	33,517.65	-0.34
S&P 500	3,892.09	-0.08
NASDAQ	10,635.65	0.63
Stoxx Eur 600	448.35	0.88
FTSE 100	7,724.94	0.33
Nikkei 225	25,973.85	0.59
Hang Seng	21,388.34	1.89
Straits Times	3,305.67	0.88
KLCI 30	1,493.42	0.87
FX		
Dollar Index	103.00	-0.85
EUR/USD	1.0730	0.81
GBP/USD	1.2184	0.75
USD/JPY	131.88	-0.15
AUD/USD	0.6912	0.51
USD/CNH	6.7821	-0.71
USD/MYR	4.3733	-0.68
USD/SGD	1.3305	-0.67
Commodities		
WTI ($/bbl)	74.63	1.17
Brent ($/bbl)	79.65	1.37
Gold ($/oz)	1,877.80	0.43
Copper ($$/MT)	8,859.50	3.14
Aluminum($/MT)	2,438.50	6.23
CPO (RM/tonne)	4,046.00	0.00

Source: Bloomberg, HLBB Global Markets Research loans for school tuition and vehicle purchases increased $11.5bn, the smallest increase since the start of the year.

Eurozone unemployment rate held steady at 6.5%, investor confidence improved

- As expected, Eurozone's unemployment rate remained unchanged at a record low of 6.5% in November. A separate report also showed that Sentix investor confidence improved more than expected to -17.5 in January (Dec: -21.0), marking the third consecutive month of increase. While there was no change in the current situation, the expectations index improved to -15.8 from -22.0 previously. This trend is mirrored in Europe's largest economy, Germany, with its expectations index rising 7.3 points.

Australia building approvals slumped 9.0%

- The total number of building permits issued in Australia unexpectedly slumped -9.0% m/m in Nov (Oct: -6.0% m/m). The decline was driven by private sector dwellings excluding houses which plunged 22.7% while approvals fell 2.5%.

Malaysia's foreign reserves ended 2022 at $114.6bn

- Malaysia's international reserves rose $4.3bn to US$114.6bn as at Dec 30, 2022. The reserves level, nevertheless took account the quarterly foreign exchange revaluation changes for the quarter. The reserves position is sufficient to finance 5.2 months of imports of goods and services and is 1x the total short-term external debt.

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
10-Jan	JN Tokyo CPI YoY (Dec)	3.80%
	JN Household Spending YoY (Nov)	1.20%
	UK BRC Sales Like-For-Like YoY (Dec)	4.10%
	US NFIB Small Business Optimism (Dec)	91.9
	US Wholesale Trade Sales MoM (Nov)	0.40%
	US Wholesale Inventories MoM (Nov F)	1.00%
11- Jan	AU Retail Sales MoM (Nov)	-0.20%
	AU CPI YoY (Nov)	6.90%
	AU Job Vacancies QoQ (Nov)	-2.10%
	MA Manufacturing Sales Value YoY (Nov)	12.90%
	MA Industrial Production YoY (Nov)	4.60%

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	JN Leading Index CI (Nov P)	98.6
	US MBA Mortgage Applications	-10.30%
11-18 Jan	CH FDI YTD YoY CNY (Dec)	9.90%

Source: Bloomberg