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Global Markets Research

Daily Market Highlights

10 March: Wall Street sank on bank shares rout

US jobless claims rose more than expected; 2-year UST yield slumped 20bps

China's inflation eased more than expected to +1.0%; PPI remained deflationary

BNM maintained OPR at 2.75%; maintain our view for a 25bps hike to 3.00%

- Wall Street notched its worst day in 2 weeks after a rout in bank shares. The S&P 500 slid 1.9% d/d to its lowest since Jan 19 and with financial companies plunging more than 4.0%. The Dow Jones Industrial Average dove 1.7% d/d, while Nasdaq Composite shed 2.1% d/d. Banks came under fire after Silvergate shares plummeted 42.2% on news that it is shutting down operations. SVB Financial also cratered 60.4% d/d after the financial group took steps to shore up capital. European markets closed Thursday lower, with Stoxx 600 and FTSE 100 dipping 0.2% d/d and 0.6% d/d respectively. Asian markets closed mixed with Hang Seng down 0.6% d/d, but Nikkei 225 bucked the trend with a 0.6% d/d gain.
- Short-term Treasury yields slumped sharply and retreated from multiyear highs amidst hints of labour-market weakness and bank shares rout. The 2-year yield plummeted 20bps to 4.87%. Longer-term maturity declined less with the 10-year down 9bps to 3.91%.
- DXU extended drop and slipped 0.3% d/d to 105.31 after weekly claims numbers jumped the most since December. EUR and GBP strengthened 0.3% and 0.7% d/d respectively. In Asia, JPY appreciated 0.9% d/d ahead of BOJ's monetary policy decision. CNH weakened 0.1% d/d after China's CPI data came below expectation while PPI remained in deflation mode. SGD was flattish at 1.3533. MYR held steady and pared some of its early session losses, to end the day stronger by 0.1% d/d at 4.5190. This came after BNM left the OPR unchanged, as per street estimate.
- Prices of gold rose 0.9% d/d after the US jobless claims climbed more than expected but prices of oil dropped as the weak claims number sparked traders' concerns over the looming NFP report and consequently, oil demand. The West Texas Intermediate and Brent fell between 1.2%-1.3% d/d each.

BNM maintained OPR at 2.75%

- At its March MPC meeting, BNM left the OPR unchanged at 2.75% for the second consecutive meeting, in line with consensus expectations but against our view for a 25bps hike. Echoing the January statement, BNM reiterated that the decision to pause is to assess the lag impact of the cumulative 100bps hike since May last year. Other than the tinge of slightly more positive growth assessment both globally and domestically, and expression of "vigilance" to cost factors, including those arising from financial market developments, that could affect the inflation outlook, the rest of the policy

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	32,254.86	-1.66
S&P 500	3,918.32	-1.85
NASDAQ	11,338.35	-2.05
Stoxx Eur 600	459.98	-0.22
FTSE 100	7,879.98	-0.63
Nikkei 225	28,623.15	0.63
Hang Seng	19,925.74	-0.63
Straits Times	3,214.51	-0.38
KLCI 30	1,449.53	-0.35
FX		
Dollar Index	105.31	-0.33
EUR/USD	1.0581	0.34
GBP/USD	1.1925	0.68
USD/JPY	136.15	-0.88
AUD/USD	0.6590	0.02
USD/CNH	6.9770	0.12
USD/MYR	4.5190	-0.12
USD/SGD	1.3533	-0.04
Commodities		
WTI (\$/bbl)	75.72	-1.23
Brent (\$/bbl)	81.59	-1.29
Gold (\$/oz)	1,834.60	0.88
Copper (\$\$/MT)	8,853.00	-0.65
Aluminum(\$/MT)	2,328.00	-1.10
CPO (RM/tonne)	4,180.00	-3.14

Source: Bloomberg, HLBB Global Markets Research

rhetoric does not deviate much from the previous statement in January in our view. With the likelihood of inflationary concerns overshadowing growth risks, and that the current stance of monetary policy remains accommodative and supportive of growth, we see the room for another 25bps increase in the OPR to 3.00% going forward, which could happen as early as May.

US job cuts hit 77.8k, highest YTD since 2009

- According to the Challenger Report, US employers announced 77.8k job cuts in February (Jan: 102.9k). It is the highest Jan-Feb total since 2009. The overwhelming bulk of cuts are occurring in technology. Retail and financial are also cutting right now.
- A separate report showed that initial jobless exceeded estimates to increase by 21k to 211k for the week ending March 4 (Feb 25: -2k to 190k). Continuing claims also increased 69k to 1718k during the week ending February 25 (Feb 18: -11k to 1649k). Of note, the largest surge in claims was in California and New York, which could be driven by severe weather for the former and school workers negotiating their contracts for the latter.
- Household net worth climbed \$2.9tn in 4Q (3Q: -\$1.3tn). This was the biggest advance in a year driven by higher equity holdings while the value of real estate held by households fell.

UK's RICS House Price Balance lowest since 2009

- The RICS House Price Balance worsened less than expected but to its lowest since April 2009 at -48% in February (Jan: -46%). This suggests that market activity will remain generally subdued over the coming months, although the latest survey feedback shows tentative signs that the ongoing decline in buyer inquiries is now moderating. New sales indicator also improved during the month, from a net balance of -36% to -26%.

China's CPI eased to +1.0%, PPI fell 1.4%

- China's February consumer price (CPI) and producer price (PPI) indices came below expectations, easing to +1.0% y/y (Jan: +2.1% y/y) and contracting by 1.8% y/y (Jan: -0.8% y/y) respectively. The former was the lowest since February 2022 affected by factors such as a fall in consumer demand after Lunar New Year as well as adequate market supply.

House View and Forecasts

FX	This Week	1Q-23	2Q-23	3Q-23	4Q-23
DXY	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	2.75	3.00	3.00	3.00

Source: HLBB Global Markets Research

Up Next

Date	Events	Prior
10-March	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
13-March	JN BOJ Policy Balance Rate	-0.10%
	JN BSI Large All Industry QoQ (1Q)	0.7
	MA Manufacturing Sales Value YoY (Jan)	8.60%
	MA Industrial Production YoY (Jan)	3.00%

Source: Bloomberg

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