

10 May 2023

## Global Markets Research

### Daily Market Highlights

# 10 May: Cautiousness ahead of US CPI tonight

**Wall Street closed lower amidst debt ceiling impasse**

**Downbeat China trade numbers raised growth concerns**

**Malaysia's IPI growth eased slightly in March; expect 1Q GDP growth to remain decent**

- Wall Street closed lower ahead of the pivotal inflation report while the debt ceiling impasse dragged on sentiment. The S&P 500 pulled back by 0.5% d/d, while the Nasdaq Composite dropped 0.6% d/d. The Dow Jones Industrial Average also lost 0.2% d/d. Of note, PayPal shares slumped 12.7% d/d after its quarterly outlook disappointed.
- European stock markets also closed lower, with steep declines in real estate after a selloff in SBB shares. SBB sank 24.2% d/d after it cancelled a rights issue following S&P Global's downgrade of its credit rating to junk. Stoxx 600 dropped 0.3% d/d, while FTSE 100 slipped 0.2% d/d. Hang Seng led losses in Asia, with Hang Seng slipping 2.1% d/d while CSI300 dipped 0.9% d/d as sentiment was dampened by China's trade data which contracted m/m. Nikkei 225 was the outlier with a 1.0% d/d gain.
- UST yields ticked up slightly, with the 10Y up 1bps to 3.52% and the 2Y climbing 2bps to 4.02% as investors looked to comments from Federal Reserve officials and inflation data on insights to fed rate path. Governor Williams said that officials will look at the "totality of data" with focus on credit conditions, while Governor Jefferson reaffirmed that the banking system remained sound and resilient. 10Y European bonds, meanwhile, closed between 0 to +8bps.
- DXY held broad gains at +0.2% d/d ahead of the meeting between US President Joe Biden and Congressional leaders. EUR weakened 0.4% d/d despite ECB Governing Council member Matins Kazak's comments that investors should not count on interest rate increases ending in July. GBP closed little changed, while JPY depreciated slightly by 0.1% d/d. Both the MYR and SGD were weaker between 0.2%-0.3% d/d each at 4.4480 and 1.3274.
- Oil prices extended their rally for the fourth day, with Brent and WTI up 0.6% and 0.8% d/d respectively after the US announced plans to refill its strategic oil reserves (SPR). Gold also edged up by 0.5% d/d before the US CPI report.

#### US NFIB slipped to 89.0

- NFIB's Small Business Optimism Index fell more than expected to 89.0 in April (March: 90.1), the 16th consecutive month below the survey's 49-year history of 98.0. The survey showed that labor quality was the top business concern as more owners struggled with finding qualified workers. This was followed by inflation concerns but this has shown signs of easing.

#### Key Market Metrics

	Level	d/d (%)
<b>Equities</b>		
Dow Jones	33,561.81	-0.17
S&P 500	4,119.17	-0.46
NASDAQ	12,179.55	-0.63
Stoxx Eur 600	465.41	-0.33
FTSE 100	7,764.09	-0.18
Nikkei 225	29,242.82	1.01
Hang Seng	19,867.58	-2.12
Straits Times	3,242.95	-0.45
KLCI 30	1,432.63	-0.08
<b>FX</b>		
Dollar Index	101.61	0.22
EUR/USD	1.0962	-0.38
GBP/USD	1.2621	0.02
USD/JPY	135.23	0.10
AUD/USD	0.6762	-0.29
USD/CNH	6.9250	0.07
USD/MYR	4.4480	0.25
USD/SGD	1.3274	0.22
<b>Commodities</b>		
WTI (\$/bbl)	73.71	0.75
Brent (\$/bbl)	77.44	0.56
Gold (\$/oz)	2,042.90	0.48
Copper (\$\$/MT)	8,591.50	0.12
Aluminum(\$/MT)	2,320.00	0.06
CPO (RM/tonne)	4,110.50	-0.16

Source: Bloomberg, HLBB Global Markets Research

**UK's retail sales held steady at +5.1%, according to BRC**

- A report by the British Retail Consortium showed that same store retail sales picked up slightly to +5.2% y/y in April (March: +4.9% y/y). As it is, consumers have adjusted their spending habits in lieu of higher price pressures, as seen in consumers cutting back spending on clothing to focus on necessities such as food.

**Australia's retail sales fell 0.6% in 1Q**

- Matching expectations, Australia's retail sales worsened to -0.6% q/q in 1Q (4Q: -0.3% q/q). This marked the second straight quarter of contraction and the largest fall since 3Q 2009 outside the COVID-19 pandemic. The Australia Bureau of Statistics also reported a slowdown in price growth due to discounts on clothing and large household items, but price for food retailing continued to rise.

**China's export growth decelerated less than expected to +8.5% y/y, but contracted m/m**

- China's exports decelerated less than expected to 8.5% y/y in March (Feb: +14.8% y/y), but imports unexpectedly worsened to -7.9% y/y (Feb: -1.4% y/y). While the increase in exports is a boost to economic recovery, this was partially attributable to low base effect due to lockdown in April 2022.
- On a m/m basis, both exports and imports dropped 6.4% m/m and 9.8% m/m respectively, with the latter reflecting lower commodity prices and a slowdown in domestic demand. The contractions in exports, meanwhile, reflect lower shipments to all major trading partners and most major products.

**Malaysia's IPI growth eased slightly to +3.1% y/y in March; underpinned by manufacturing**

- Malaysia's Industrial Production Index (IPI) saw slightly slower growth of 3.1% y/y in March (Feb: +3.5% revised), significantly above consensus estimate (+0.7% y/y) but slightly below ours (+3.5% y/y). The expansion was underpinned by continuous albeit slower increase in manufacturing output (+4.1% vs +4.8% y/y revised), as production continued to normalize from seasonal swings. Most sectors lost traction in March. The export-oriented sectors grew 3.6% y/y in March (Feb: +3.7% y/y) while the domestic-oriented sectors tapered off at a relatively faster pace to 5.0% y/y (Feb: +7.0% y/y). The E&E subsector appeared to be the only sector registering faster growth during the month (+6.4% vs +5.4% y/y).
- In a separate release, manufacturing sales also grew at a slower pace of 8.0% y/y in March (Feb: +10.3% y/y), mirroring the traction in IPI. Labour market conditions in the manufacturing sector softened a tad with the number employed increasing at a slower pace of 2.8% y/y to 2.35m (unchanged m/m). Wages & salaries also tapered off somewhat to +4.2% y/y (Feb: +4.5%) but managed to inch up 0.1% m/m. Slower wage growth is expected to lessen the pressure on cost-driven inflation but this may not last long as the earlier delayed increase in minimum wage for some segments is expected to kick in soon.
- Malaysia's foreign reserves turnaround and register a \$1.5bn decline to \$114.4bn as of end-April (14 April: +0.4bn to \$115.9bn). The reserves position is sufficient to finance 5.1 months of imports of goods and services and is 1.0 times of the total short-term external debt.

### House View and Forecasts

FX	This Week	2Q-23	3Q-23	4Q-23	1Q-24
DXY	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
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%
11-May	JN Trade Balance BoP Basis (Mar)	-¥604.1b
	JN Bank Lending Incl Trusts YoY (Apr)	3.00%
	AU Consumer Inflation Expectation (May)	4.60%
	CH CPI YoY (Apr)	0.70%
	CH PPI YoY (Apr)	-2.50%
	JN Eco Watchers Survey Outlook SA (Apr)	54.1
	UK GDP QoQ (1Q P)	0.10%
	UK Bank of England Bank Rate	4.25%
	US Initial Jobless Claims	242k
	US Continuing Claims	1805k
	US PPI Final Demand YoY (Apr)	2.70%
9-18 May	CH FDI YTD YoY CNY (Apr)	4.90%

Source: Bloomberg

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