11 January 2023

Global Markets Research

Daily Market Highlights

11 Jan: Stocks closed higher as investors await CPI data

Powell said restoring price stability may require non-popular measures

EIA slashed Brent crude price forecast to $83/barrel for 2023

World Bank forewarns sharp and long-lasting slowdown to hit developing countries hard

- Stocks advanced Tuesday as investors bet that the upcoming US CPI will show further softening and leaves room for the Fed to slow the pace of its rate hike. This comes even after some Fed officials have said that it is too early to declare victory over inflation. The Dow Jones Industrial Average gained 0.6% d/d, while the S&P 500 traded up 0.7% d/d. Nasdaq led the major indices for another day, adding 1.0% d/d. Trading was choppy, as the markets struggled to find direction with Jerome Powell's silence on the monetary policy outlook. He only said that restoring price stability when inflation is high can require measures that are not popular in the short term. European markets retreated, with Stoxx 600 slipping 0.6% d/d, while FTSE 100 dipped 0.4% d/d. Over in Asia-Pacific markets, stocks traded mixed with Nikkei 225 up 0.8% d/d, while the Hang Seng edged down by 0.3% d/d.

- US treasury yields climbed across the curve by 3-10bps with the 10-year note yields up 9bps to 3.62%. The 2-year UST yield was up 4bps to 4.25%.

- The dollar was rangebound on Tuesday, hovering around its weakest level in seven months. Dollar Index closed the day slightly up by 0.2% d/d at 103.24. EUR was flattish (+0.03% d/d), while GBP weakened 0.3% d/d against greenback. USD, nevertheless, strengthened against most regional currencies. Both the JPY and AUD weakened 0.3% d/d each against USD. Similarly, Yuan and SGD also slipped by 0.1% d/d or less. MYR was flattish at 4.3725.

- Oil prices edged slightly higher with the WTI and Brent up 0.7% d/d and 0.6% d/d respectively. In an oil market update, the EIA slashed its average Brent crude oil forecast to $83/barrel for 2023 from $92/barrel previously. The drop was underpinned by expectations that global oil production is set to rise by 1.1m barrels per day this year despite declining output from Russia. Gold, meanwhile, traded 0.1% d/d lower.

World Bank: Sharp, long-lasting slowdown to hit developing countries hard

- In its latest Global Economic Prospect, the World Bank revised its 2023 global growth downwards to 1.7% from 3.0% expected six months ago. The sharp downward revision reflects elevated inflation, higher interest rates, reduced investment and disruptions caused by Russia's invasion of Ukraine. Key highlights from the report include: 1) Over the next two years, per-capita income growth in emerging market and developing economies is projected to average 2.8%, 1ppts lower than the 2010-2019 average; 2) Growth in

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	33,704.10	0.56
S&P 500	3,919.25	0.70
NASDAQ	10,742.63	1.01
Stoxx Eur 600	445.71	-0.59
FTSE 100	7,694.49	-0.39
Nikkei 225	26,175.56	0.78
Hang Seng	21,331.46	-0.27
Straits Times	3,262.91	-1.29
KLCI 30	1,485.13	-0.56
FX		
Dollar Index	103.24	0.23
EUR/USD	1.0733	0.03
GBP/USD	1.2154	-0.25
USD/JPY	132.26	0.29
AUD/USD	0.6889	-0.33
USD/CNH	6.7847	0.04
USD/MYR	4.3725	-0.02
USD/SGD	1.3318	0.10
Commodities		
WTI ($/bbl)	75.12	0.66
Brent ($/bbl)	80.10	0.56
Gold ($/oz)	1,876.50	-0.07
Copper ($$/MT)	8,912.00	0.59
Aluminum($/MT)	2,463.50	1.03
CPO (RM/tonne)	3,937.50	-2.68

Source: Bloomberg, HLBB Global Markets Research advanced economies is projected to slow from 2.5% in 2022 to 0.5% in 2023. Over the past two decades, slowdowns of this scale have foreshadowed a global recession; 3) By the end of 2024, GDP levels in emerging and developing economies will be roughly 6% below levels expected before the pandemic.

US NFIB skid to the second weakest in nearly a decade

- The NFIB Small Business Optimism Index unexpectedly declined more than expected to 89.8 in Dec (Nov: 91.9). This marks the 12th consecutive month below the 49-year average of 98 and the second weakest since 2013. Owners expecting better business conditions over the next six months worsened by 8 points to a net negative 51%. Inflation remains the single most important business problem with 32% of owners reporting it as their top problem in operating their business.
- Wholesale inventories rose 1.0% m/m as previously reported in November (Oct: +0.6%). A key part of GDP, increases were observed in furniture, computer and professional equipment stocks as well as electrical equipment, metals, hardware and machinery. Sales at wholesalers, nevertheless, fell 0.6% (Nov -0%). At November's sales pace it would take wholesalers 1.35 months to clear shelves, up from 1.32 months in October.

UK retail sales accelerated in December

- In line with seasonal boost, the UK British Retail Consortium reported that BRC Like-for-Like Sales accelerated to +6.5% y/y in December (Nov: +4.1% y/y). This is the second consecutive month that sales accelerated but it does not adjust for prices.

Japan's household spending unexpected fell; Tokyo core-prices accelerated to 4.0%

- Core consumer prices in Tokyo accelerated more than expected at +4.0% y/y in December (Nov: +3.6% y/y), the sharpest gain in over 40 years, in a fresh sign of broadening price hikes that hurt households and could add pressure on the Bank of Japan to tighten its policy. The gauge, seen as an indicator of what to expect nationwide, was above the BOJ's 2% target for the seventh straight month. Processed food and energy prices pushed inflation in the capital city.
- As it is, surge in prices will damp consumption. A separate report showed that household spending unexpected fell 1.2% y/y in November (Oct: +1.2% y/y). The data is a key indicator of private consumption, which accounts for more than half of Japan's GDP.

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
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%
	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%
12-Jan	JN Trade Balance BoP Basis (Nov)	-¥1875.4b
	JN Bank Lending Incl Trusts YoY (Dec)	2.70%
	AU Exports MoM (Nov)	-1%
	CH PPI YoY (Dec)	-1.30%
	CH CPI YoY (Dec)	1.60%
	JN Eco Watchers Survey Outlook SA (Dec)	45.1
	US CPI Ex Food and Energy YoY (Dec)	6.00%
	US Real Avg Hourly Earning YoY (Dec)	-1.90%
	US Initial Jobless Claims	204k

Source: Bloomberg

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