

11 May 2023

Global Markets Research

Daily Market Highlights

11 May: Easing US CPI reaffirmed the case for rate pause

Still robust m/m increase in CPI; lower shelter cost offset by pick-up in cars and used cars

UST yields tumbled and curve steepened; Wall Street closed mostly higher on tech

DXY closed slightly lower at 101.48; GBP flat before BOE meet today

- In volatile trading, Wall Street closed mostly higher as investors fled to the cyclical tech stocks after a tamer inflation data. Consequently, Nasdaq Composite led gains, adding 1.0% d/d, while the S&P 500 rose 0.5% d/d. The Dow Jones Industrial Average, nevertheless, inched downward by 0.1% d/d. Both the Stoxx 600 and FTSE also trended lower following the CPI reading, sliding by 0.4% d/d and 0.3% d/d respectively. Asian markets were in the red, with Nikkei 225 down 0.4% d/d, while Hang Seng index extended its losses to slide 0.5% d/d.
- UST yields tumbled following the CPI data, led by the front-end following expectations that the Fed was at the end of its tightening cycle. The 2Y fell 11bps 3.91%, while the 10Y declined 8bps to 3.44%. 10Y European bonds yield closed mostly lower between 2-9 bps, with the exception of the Norwegian 10Y which gained 3bps.
- DXY closed slightly lower by 0.1% d/d at 101.48, after paring its losses. EUR rebounded to strengthen 0.2% d/d, while GBP appreciated slightly just above the flatline. Asian currencies were mixed, with JPY leading gains in the region at +0.7% d/d. This was followed by AUD and SGD at +0.3% d/d and +0.2% d/d respectively. On the other hand, CNH and MYR weakened by 0.2% d/d each to 6.9389 and 4.4585 respectively.
- Oil prices slipped for the first time this week, with the West Texas Intermediate and Brent falling 1.6% d/d and 1.3% d/d respectively after US data showed a build-up in crude inventories to 3m barrels last week. Price of gold also slipped slightly by 0.3% d/d.

US headline and core CPI eased y/y; increased 0.4% m/m each as lower shelter prices was offset by pick-up in used cars and trucks

- US core CPI matched expectations, easing to +5.5% y/y in April (March: +5.6% y/y), while headline inflation unexpectedly softened slightly to +4.9% y/y (March: 5.0% y/y), effectively leaving room for the Fed to maintain the fed funds rate in June's FOMC meeting. On a m/m basis however, headline and core remained robust at +0.4% m/m each (Feb: +0.1% m/m and +0.4% m/m), with shelter, the largest contributor to the monthly inflation, decelerating to +0.4% m/m (March: +0.6% m/m). This was nevertheless offset by higher prices for used cars and trucks (+4.4% m/m vs. March: -0.9% m/m).
- Separately, the contraction in real average weekly earnings decelerated to -1.1% y/y in April (March: -1.5% y/y), while mortgage applications rebounded to +6.3% w/w for the week ended May 5 (Apr 28: -1.2% w/w) supported by

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	33,531.33	-0.09
S&P 500	4,137.64	0.45
NASDAQ	12,306.44	1.04
Stoxx Eur 600	463.64	-0.38
FTSE 100	7,741.33	-0.29
Nikkei 225	29,122.18	-0.41
Hang Seng	19,762.20	-0.53
Straits Times	3,242.29	-0.02
KLCI 30	1,425.68	-0.49
FX		
Dollar Index	101.48	-0.13
EUR/USD	1.0982	0.18
GBP/USD	1.2625	0.03
USD/JPY	134.34	-0.66
AUD/USD	0.6779	0.25
USD/CNH	6.9389	0.20
USD/MYR	4.4585	0.24
USD/SGD	1.3250	-0.18
Commodities		
WTI (\$/bbl)	72.56	-1.56
Brent (\$/bbl)	76.41	-1.33
Gold (\$/oz)	2,037.10	-0.28
Copper (\$\$/MT)	8,475.00	-1.36
Aluminum(\$/MT)	2,268.00	-2.24
CPO (RM/tonne)	4,005.50	-2.55

Source: Bloomberg, HLBB Global Markets Research

lower mortgage rates. Purchase applications increased 4.8% w/w (Apr 28: -2.0% w/w) but were still more than 30% below last year's level.

UK RICS House Price Index improved to -39

- In a sign of stabilising property market, RICS House Price Index improved more than expected to -39 in April (March: -43). Performance of the sub-indices were nevertheless mixed, with improved newly agreed sales and sales expectations offset by new buyer enquiries and price expectations.

Japan's leading index dipped to 97.5

- Japan's Leading Index fell more than expected to 97.5 in March (Feb: 98.2), predominantly due to worsening new job offers as well as floor area, housing starts. The assessment for the coincident index, meanwhile, was maintained at weakening.
- Separately, bank lending accelerated to +3.2% y/y in April (March: +3.0% y/y), while the surplus in current account widened less than expected to ¥2.3tn (March: ¥2.2tn) as the narrower trade deficit and higher surplus in primary income more than offset the higher deficit in secondary income.

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
11-May	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%
11-18 May	CH FDI YTD YoY CNY (Apr)	4.90%
12-May	MA GDP YoY (1Q)	7.00%
	HK GDP YoY (1Q F)	2.70%
	US Import Price Index YoY (Apr)	-4.60%
	US Export Price Index YoY (Apr)	-4.80%
	US U. of Mich. Sentiment (May P)	63.5
	US U. of Mich. 1 Yr Inflation (May P)	4.60%
	US U. of Mich. 5-10 Yr Inflation (May P)	3.00%

Source: Bloomberg

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