

12 January 2023

Global Markets Research
Daily Market Highlights

12 Jan: Stocks and bonds end on high-note

Wagers on further easing in inflation; bolstering Fed downshift expectations

Fed's Collins leans towards a 25bps rate hike in the next FOMC meeting

Malaysia's November IPI staged a surprised pick-up to +4.8% y/y

- Stocks rose on Wednesday as investors bet that further inflation softening could bolster a case for a Fed downshift. The Dow Jones Industrial Average closed up 0.8% d/d. S&P 500 gained 1.3% d/d, while the Nasdaq Composite led the advance for another day, adding 1.8% d/d. Investors also looked beyond the drumbeat of hawkish FedSpeaks as well as a potentially miserable stretch of earnings. After tonight's US CPI, investors will follow big banks quarterly results on Friday which will kick off a new earnings season. Fed Bank of Boston President Susan Collins, meanwhile, said that she is leaning toward supporting a 25bps hike at the next FOMC meeting ending Feb 1. She added that downshifting to a smaller move would give officials more time to see how their actions are affecting the economy. European and Asian markets also closed higher. Stoxx 600 and FTSE 100 were up 0.4% d/d each. In Asia, Nikkei 225 traded 1.0% higher, while Hong Kong's Hang Seng index rose 0.5% d/d.
- Bond yields pulled back awaiting the US CPI report. The 10-year Treasury was trading 8bps lower at 3.54%. The yield on the 2-year Treasury was last down by 3bps to 4.22%.
- The dollar was little changed vis-a-vis the euro and other G10 currencies amid cautiousness ahead of US CPI release. The Dollar Index edged down by 0.1% d/d to 103.19. EUR strengthened by 0.2% d/d, while GBP weakened slightly by -0.1% d/d. Over in Asia, JPY weakened 0.1% d/d, while the Chinese yuan strengthened 0.3% d/d. Both the SGD and MYR strengthened by 0.1% d/d each against USD. SGD and MYR closed at 1.3312 and 4.3702 vis-à-vis USD respectively.
- Oil shrugged off a large US crude stockpile, with prices rising as traders focused on China as it speeds up purchases ahead of the lunar new year. The prices of WTI and Brent gained 3.1% d/d and 3.2% d/d up respectively. Gold prices, meanwhile, held firm, gaining 0.1% d/d.

US Mortgage Applications rebounded to increase 1.2% as mortgage rates slid 16bps

- Mortgage applications rebounded to register a slight increase of 1.2% w/w for the week ending Jan 6 (Dec 30: -10.3%). The Refinance Index led the increase at +5.1% w/w, a result of the 16bps decline in rates. This is the first drop in 3 weeks and the contract on a 30-year fixed mortgage stood at 6.42%.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	33,973.01	0.80
S&P 500	3,969.61	1.28
NASDAQ	10,931.67	1.76
Stoxx Eur 600	447.41	0.38
FTSE 100	7,724.98	0.40
Nikkei 225	26,446.00	1.03
Hang Seng	21,436.05	0.49
Straits Times	3,271.51	0.26
KLCI 30	1,487.87	0.18
FX		
Dollar Index	103.19	-0.05
EUR/USD	1.0757	0.22
GBP/USD	1.2146	-0.07
USD/JPY	132.45	0.14
AUD/USD	0.6904	0.22
USD/CNH	6.7678	-0.25
USD/MYR	4.3702	-0.05
USD/SGD	1.3312	-0.05
Commodities		
WTI (\$/bbl)	77.41	3.05
Brent (\$/bbl)	82.67	3.21
Gold (\$/oz)	1,878.90	0.13
Copper (\$\$/MT)	9,124.50	2.38
Aluminum(\$/MT)	2,510.00	1.89
CPO (RM/tonne)	3,862.00	-1.92

Source: Bloomberg, HLBB Global Markets Research

Australia's inflation accelerated to 7.3%; surprised 1.4% jump in retail sales; job vacancies fell 5.0%

- Australia's inflation rate accelerated slightly more than expected at +7.3% y/y in Nov (Oct: +6.9% y/y). The housing group led the increase as high labour and material costs contributed to the annual rise. Prices also rose for groceries, dining out as well as travel.
- Australian shoppers spent big in November as Black Friday spurred demand for clothes, electronics and furniture, a sign consumption was proving resilient to rising interest rates and high inflation. Retail sales jumped twice the forecast at 1.4% m/m in Nov (Oct: +0.4% m/m).
- In the labour market, job vacancies fell 4.9% q/q in Nov (Aug: -2.8% q/q). The decline in the quarter was driven by less vacancies in the healthcare and social assistance sectors. Nevertheless, it should be pointed out that despite vacancies falling recently, the number of job vacancies was still high and was up 12% from a year ago. The percentage of businesses reporting at least one vacancy has also increased.

Japan's leading index fell to 97.6

- Japan's leading index ticked slightly downwards to 97.6 in November (Oct: 98.6). The overall assessment of the coincident index, nevertheless, remained unchanged, suggesting steady current conditions although the outlook has deteriorated.

Malaysia's IPI staged a surprised pick-up at +4.8% y/y

- Growth in Malaysia's Industrial Production Index (IPI) staged a surprise pick up, increasing 4.8% y/y in Nov (Oct: +4.6% y/y), contrary to ours as well as market expectations for a slower expansion. The manufacturing and electricity sectors reported quicker growth, and improvement was evident from both the export- and domestic-oriented sectors. The Electronics and Electrical (E&) industry specifically, registered strong growth of +12.1% y/y (Oct: +8.7% y/y)
- Closely tracking resiliency in IPI, manufacturing sales continued to see healthy expansion, albeit at a more moderate pace of 11.8 % y/y in Nov (Oct: +12.9% y/y). Labour market indicators for the manufacturing sector remained decent despite some tentative easing. Wages sustained a 4.7% y/y increase (Oct: +4.8%), while the number of employees increased 3.3% y/y (Oct: +3.6% y/y).
- The November indicators suggest that the pullback in 4Q GDP growth may be milder than initially expected. We are maintaining our 4Q and full year GDP growth projection at 4.9% and 8.2% y/y at this juncture, pending subsequent data for the month of December. Resilient growth trajectory in the Malaysian economy, contrary to slowdown risks from external headwinds, offer flexibility for BNM to deliver another 25bps OPR hike at its upcoming MPC meeting on 18-19 January. The window for further hikes subsequently is getting smaller as global growth risks prevail, while inflationary pressure is abating.

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
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%
13-Dec	US Initial Jobless Claims	204k
	UK Industrial Production MoM (Nov)	0.00%
	UK Trade Balance GBP/Mn (Nov)	-£1785m
	EC Industrial Production SA MoM (Nov)	-2.00%
	EC Trade Balance SA (Nov)	-28.3b
	US Import Price Index MoM (Dec)	-0.60%
	US Export Price Index MoM (Dec)	-0.30%
	US U. of Mich. Sentiment (Jan P)	59.7
	US U. of Mich. 1 Yr Inflation (Jan P)	4.40%
	US U. of Mich. 5-10 Yr Inflation (Jan P)	2.90%
CH Exports YoY (Dec)	-8.70%	
CH Imports YoY (Dec)	-10.60%	

Source: Bloomberg

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