

12 April 2023

Global Markets Research

Daily Market Highlights

12 April: Investors stay on the side-line ahead of US CPI

IMF: World GDP to grow by 2.8% in 2023; risk of elevated & sharper downturn

IMF: Inflation to soften to 7.0% in 2023; core to decline more slowly

China's CPI eased to 0.7%; PPI remained in deflation; credit growth beat expectations

- The S&P 500 ended Tuesday's session flat as investors prepared for the release of key inflation data later this week. The Dow Jones Industrial Average rose 0.3% d/d, while Nasdaq Composite shed 0.4% d/d. The Dow rallied on gains in industrials and materials, while a drop in Microsoft shares after UBS warned of its Azure cloud computing weighed on big techs. In Fed speak, NY Fed's Williams said that there is more work to be done but new voter Chicago Fed's Austan Goolsbee cautioned about hikes in the wake of the tightening financial market.
- European stock markets returned from the long Easter weekend with positive momentum, with both the Stoxx 600 and FTSE100 closing 0.6% d/d higher. Stocks in Asia mostly rose, with the exception of CSI300 which slid 0.1% d/d after China's inflation reading came in below expectations. Hang Seng gained 0.8% d/d, while Nikkei jumped 1.1% d/d after Warren Buffett said that he is considering additional investment in five major Japanese trading houses.
- UST yields were generally slightly higher, with the 2Y up 2bps at 4.02%, and the 10Y climbing 1 bp to 3.43%. The 10Y European bond yields closed up between 4-14bps.
- DXY tumbled 0.4% d/d to 102.20 from a high of 102.52 during the day. While EUR and GBP strengthened 0.5% and 0.3% d/d respectively against USD, Asian currencies underperformed slightly for the day. JPY closed slightly weaker by 0.1% d/d, while MYR depreciated by 0.2% d/d to 4.4185. CNH and SGD closed flattish at 6.8939 and 1.3326.
- The WTI and Brent held its gains and closed the day 2.2% and 1.7% d/d higher even after US' Energy Information Administration reported that supply will exceed demand in the next 2 years. Gold advanced 0.8% d/d as the greenback weakened ahead of US inflation data.

IMF: A rocky recovery, shaved world GDP growth forecast by 0.1ppts for 2023 and 2024

- Global growth is projected to soften from 3.4% in 2022 to 2.8% in 2023 (-0.1ppts as compared to Jan WEO Update) before rising modestly to 3.0% in 2024 (-0.1ppts). IMF added that the outlook is uncertain again amid financial sector turmoil, high inflation, ongoing effects of Russia's invasion of Ukraine, and three years of COVID.
- Speaking on the financial turmoil, IMF's chief economic Pierre-Olivier Gourinchas said that while it is under control now, the IMF is concerned that

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	33,684.79	0.29
S&P 500	4,108.94	0.00
NASDAQ	12,031.88	-0.43
Stoxx Eur 600	461.79	0.62
FTSE 100	7,785.72	0.57
Nikkei 225	27,923.37	1.05
Hang Seng	20,485.24	0.76
Straits Times	3,297.83	0.10
KLCI 30	1,435.89	0.54
FX		
Dollar Index	102.20	-0.36
EUR/USD	1.0912	0.49
GBP/USD	1.2424	0.34
USD/JPY	133.68	0.05
AUD/USD	0.6654	0.20
USD/CNH	6.8939	0.02
USD/MYR	4.4185	0.20
USD/SGD	1.3326	-0.02
Commodities		
WTI (\$/bbl)	81.53	2.24
Brent (\$/bbl)	85.61	1.70
Gold (\$/oz)	2,004.80	0.79
Copper (\$\$/MT)	8,854.50	0.62
Aluminum(\$/MT)	2,302.50	-1.33
CPO (RM/tonne)	4,294.50	1.33

Source: Bloomberg, HLBB Global Markets Research

this could result in sharper and a more elevated downturn if financial conditions were to worsened significantly and added that financial supervisors, regulators and authorities should look very carefully at the pockets of vulnerability that might still exist.

- Global headline inflation is expected to decelerate from 8.7% in 2022 to 7.0% in 2023 and 4.9% in 2024 on the back of lower commodity prices. Core inflation is likely to decline more slowly.
- Looking at some of the regional breakdowns, the IMF sees the US expanding by 1.6% (+0.2ppts) in 2023 and the euro zone growing by 0.8% (+0.1ppts). However, the United Kingdom is seen contracting by 0.3% (+0.3ppts). China's GDP is expected to increase by 5.2% in 2023 (no change) and Japan's by +1.3% (-0.5ppts). Malaysia's economy, meanwhile, is expected to grow by 4.5% for the year with inflation rate at 2.9%.

US NFIB declined slightly

- NFIB's Small Business Optimism Index declined slightly but less than expected to 90.1 in March (Feb: 90.9). This marks the 15th consecutive month below the 49-year average of 98.0. Small business owners are cynical about future economic conditions and hiring plans fell to their lowest level since May 2020. Strong consumer spending has nevertheless kept Main Street alive and supported strong labor demand.

Eurozone's retail sales fell 0.8%, Sentix investor confidence beat expectations but still negative

- Sentix Investor Confidence exceeded expectations at -8.7 in April (Mar: -11.1). The major upheavals feared as a result of the gas and electricity price crisis in Europe have failed to materialise this winter, thus, supporting the index. Nevertheless, we are not positive on this data as expectations remained negative at -13.0.
- Matching consensus forecast, retail sales in the Eurozone fell 0.8% m/m in February (Jan: +0.8% m/m). Looking at the details, retail sales in food, drinks and tobacco were down 0.6% m/m, while non-food products also fell 0.7% m/m.

Australia's consumer sentiment surged as RBA paused

- The Westpac-Melbourne Institute Consumer Sentiment surged by 9.4% m/m in April (March: No change), boosted by RBA's decision to pause its key rate. Nevertheless, confidence was still weak, 10.4% below April last year before the tightening cycle. Of note, respondents remain cautious, with 34.1% still expect rates to increase by more than 1.00% over the year although down from 44.6%. Confidence in the outlook for house prices also surged by 16.7% m/m. At this level, it is only 2.8% below April 2022.
- The NAB Business Survey showed that business conditions continued to show ongoing resilience in March, edging lower to +16 (Feb: +17) but remained well above the long-run average. Business confidence stabilised but remained below long run averages at -1 (Feb: -4). Deeper negatives were nevertheless observed in retail and wholesale.

China's CPI eased further; PPI remained in deflation; credit growth beat expectations

- Mixed bag of economic indicators from China. Led by lower car and service prices, China's inflation rate unexpectedly slowed to +0.7% y/y in March (Feb: +1.0% y/y). Producer price deflation, meanwhile, worsened but matched

expectations at -2.5% y/y (Feb: -1.4% y/y), primarily driven by higher base effect from oil in March 2022.

- In contrast, aggregate financing and new loans grew more than expected to 5.4tn yuan and 3.9tn yuan in March (Feb: 3.2tn yuan and 1.8tn yuan), signalling that PBoC's recent moves to ensure sufficient liquidity into the economy and support bank lending is kicking in. New corporate mid- and long-term loans, an indicator of willingness to invest in new projects, jumped from a year ago while new household mid- and long-term loans, a proxy for mortgages, picked up strongly to its highest level since Jan 2022, a sign of recovering housing demand.

Malaysia's IPI remained favourable in February; but skewed by seasonal blips

- Industrial Production Index (IPI) accelerated more than expected to 3.6% y/y in February (Jan: +1.8% y/y), beating both ours as well as market consensus estimates. The pick-up was mainly driven by manufacturing output (+4.9% vs +1.3% y/y), and a turnaround in electricity (+1.1% vs -4.3% y/y). Closely tracking IPI, manufacturing sales also grew at a faster pace of 10.3% y/y in February (Jan: +6.5% y/y). Labour market condition in the manufacturing sector continued to improve. The number of employed grew at a faster rate of 3.3% y/y in February (Jan: +3.0%) while salaries & wages increased 4.6% y/y, picking up from the 4.0% increase in January.

House View and Forecasts

FX	This Week	2Q-23	3Q-23	4Q-23	1Q-24
DX	101-103	100.97	99.96	97.96	96.98
EUR/USD	1.08-1.10	1.10	1.11	1.12	1.13
GBP/USD	1.23-1.25	1.24	1.25	1.24	1.24
USD/JPY	130-134	131	130	128	128
AUD/USD	0.66-0.68	0.68	0.68	0.69	0.70
USD/MYR	4.37-4.42	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	4.75-5.00	5.00-5.25	5.00-5.25	5.00-5.25	5.00-5.25
ECB	3.50	4.00	4.00	4.00	4.00
BOE	4.25	4.25	4.25	4.25	4.25
BOJ	-0.10	-0.10	-0.10	-0.10	-0.10
RBA	3.60	3.60	3.60	3.60	3.60
BNM	2.75	3.00	3.00	3.00	3.00

Source: HLBB Global Markets Research

Up Next

Date	Events	Prior
12-April	JN PPI MoM (Mar)	-0.40%
	JN Bank Lending Incl Trusts YoY (Mar)	3.30%
	JN Core Machine Orders MoM (Feb)	9.50%
	US MBA Mortgage Applications	-4.10%
	US CPI YoY (Mar)	6.00%
	US CPI Ex Food and Energy YoY (Mar)	5.50%
	US Real Avg Weekly Earnings YoY (Mar)	-1.90%
13-April	US FOMC Meeting Minutes	
	UK RICS House Price Balance (Mar)	-48%
	AU Consumer Inflation Expectation (Apr)	5.00%
	AU Employment Change (Mar)	64.6k
	AU Unemployment Rate (Mar)	3.50%
	UK Monthly GDP (MoM) (Feb)	0.30%
	UK Industrial Production MoM (Feb)	-0.30%

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UK Trade Balance GBP/Mn (Feb)	-£5861m
EC Industrial Production SA MoM (Feb)	0.70%
US Initial Jobless Claims	228k
US Continuing Claims	1823k
US PPI Final Demand YoY (Mar)	4.60%
CH Exports YoY (Mar)	-9.90%
CH Imports YoY (Mar)	-7.50%

Source: Bloomberg

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