

12 June 2023

## Global Markets Research

### Daily Market Highlights

# 12 June: Tame markets ahead of CPI data, FOMC meeting

Wall Street posted small gains; UST yields rose; DXY bounced off its day low

China's inflation stayed near zero, PPI weakened further; Pressure for PBoC to cut rates

Surprise fall in Malaysia's IPI; Contractions across 3 broad categories

- Wall Street closed Friday with small gains as investors largely stayed sideline ahead of the inflation data and the FOMC decision this week. The S&P 500 gained 0.1% d/d, but touched the 4300 level for the first time since August 2022. Similarly, Dow Jones traded up 0.1% d/d, while Nasdaq rose 0.2% d/d. Tesla shares extended its winning streak for the 11<sup>th</sup> day, after General Motors said earlier that it would produce electric vehicles with Tesla charge points from 2025. Chipmakers like Nvidia and Advanced Micro devices also rose. Overseas, equity indices were mixed. While Stoxx 600 and FTSE 100 lost 0.2% d/d and 0.5% d/d, Nikkei 225 and Hang Seng gained 2.0% d/d and 0.5% d/d respectively.
- UST yields advanced, with the 2Y rising to its highest level since March 9 at 4.60% or up 8bps. The 10Y gained 2bps to 3.74%. The 10Y European bonds yield closed mixed, between -7 to +4bps.
- The DXY bounced off its day low of 103.30 to close up 0.2% d/d at 103.56. While EUR depreciated 0.3% d/d, GBP continued with its winning streak albeit at a smaller pace of +0.1% d/d. JPY and CNH were weaker between 0.3%-0.4% d/d each, while SGD depreciated slightly by 0.1% d/d at 1.3434. MYR was the outlier, closing 0.1% d/d stronger at 4.6143.
- Oil prices fell between 1.5%-1.6% d/d, as disappointing China's data added to persistent demand fears. Gold eased by 0.1% d/d on a stronger dollar and higher yields.

#### China's inflation stayed near zero

- While matching expectations, China's inflation rate stayed near the zero level at +0.2% y/y in May (Apr: +0.1% y/y), while core prices also slowed to +0.6% y/y (Apr: +0.7% y/y). Travel and food were the major contributors to headline CPI, but most other categories were weak. Producer prices, meanwhile, worsened more than expected by -4.6% y/y (Apr: -3.6% y/y), as prices of commodities eased, while domestic and foreign demand weakened. As it is, the inflation prints reaffirmed evidence that the economy is cooling and will put more pressure on the People's Bank of China to cut its policy rates going forward.

#### Surprised contraction in Malaysia's industrial production

- Malaysia's Industrial Production Index (IPI) posted a surprise decline of 3.3% y/y in April (Mar: +3.2% revised), worse than the most bearish estimates by a Bloomberg survey, and against our expectations for a small positive gain. This

#### Key Market Metrics

	Level	d/d (%)
<b>Equities</b>		
Dow Jones	33,876.78	0.13
S&P 500	4,298.86	0.11
NASDAQ	13,259.14	0.16
Stoxx Eur 600	460.01	-0.15
FTSE 100	7,562.36	-0.49
Nikkei 225	32,265.17	1.97
Hang Seng	19,389.95	0.47
Straits Times	3,186.97	0.01
KLCI 30	1,376.08	0.10
<b>FX</b>		
Dollar Index	103.56	0.21
EUR/USD	1.0749	-0.31
GBP/USD	1.2572	0.10
USD/JPY	139.40	0.35
AUD/USD	0.6742	0.39
USD/CNH	7.1439	0.32
USD/MYR	4.6143	-0.14
USD/SGD	1.3434	0.05
<b>Commodities</b>		
WTI (\$/bbl)	70.17	-1.57
Brent (\$/bbl)	74.79	-1.54
Gold (\$/oz)	1,962.20	-0.07
Copper (\$\$/MT)	8,371.50	0.29
Aluminum(\$/MT)	2,268.00	0.60
CPO (RM/tonne)	3,359.50	-1.29

Source: Bloomberg, HLBB Global Markets Research

marked its first decline since Jul-2021, dragged by contractions across the three broad categories namely mining (-4.9% y/y), manufacturing (-3.0% y/y) and electricity (-2.0% y/y).

- In a separate release, manufacturing sales fell 2.0% y/y in April, a huge reversal from the 8.0% y/y increase in March, painting a similar picture and outlook as IPI. The accompanying labour market data continued to show easing signs. The number employed grew at a slower pace for the 2nd straight month, by 2.5% y/y to 2.35m (unchanged m/m). Wages & salaries growth also eased for the 2nd straight month, to +3.9% y/y, and was down 1.8% m/m. That said, the overall labour force remained healthy and stable, with the jobless rate holding steady at 3.5% for the 2nd straight month in April.

#### House View and Forecasts

FX	This Week	2Q-23	3Q-23	4Q-23	1Q-24
DX	102-105	100.97	99.96	97.96	96.98
EUR/USD	1.06-1.09	1.10	1.11	1.12	1.13
GBP/USD	1.24-1.27	1.24	1.25	1.24	1.24
USD/JPY	138-141	131	130	128	128
AUD/USD	0.65-0.68	0.68	0.68	0.69	0.70
USD/MYR	4.58-4.68	4.39	4.35	4.31	4.28
USD/SGD	1.33-1.36	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	4.50	4.75	4.75	4.75	4.75
BOJ	-0.10	-0.10	-0.10	-0.10	-0.10
RBA	4.10	4.10	4.10	4.10	4.10
BNM	3.00	3.00	3.00	3.00	3.00

Source: HLBB Global Markets Research

#### Up Next

Date	Events	Prior
12-June	JN PPI MoM (May)	0.20%
13-June	AU CBA Household Spending MoM (May)	-4.30%
	JN BSI Large All Industry QoQ (2Q)	-3
	AU Westpac Consumer Conf SA MoM (Jun)	-7.90%
	AU NAB Business Confidence (May)	0
	UK Payrolled Employees Monthly Change (May)	-136k
	UK Average Weekly Earnings 3M/YoY (Apr)	5.80%
	UK ILO Unemployment Rate 3Mths (Apr)	3.90%
	EC ZEW Survey Expectations (Jun)	-9.4
	US NFIB Small Business Optimism (May)	89
	US CPI Ex Food and Energy YoY (May)	5.50%
	US Real Avg Weekly Earnings YoY (May)	-1.10%

Source: Bloomberg

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