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Global Markets Research

Daily Market Highlights

13 Jan: US stocks kept the rally going

Dollar Index tumbled 0.9% to 102.25, lowest since June 2022

US CPI data showed cooling inflation, with core prices easing to +5.7%

China's inflation remained moderate at +1.8%; PPI fell by 0.7%

- US stocks advanced after December's CPI showed inflation cooled for the month, raising hopes the Federal Reserve can slow its interest rate hikes. The Dow Jones Industrial Average gained 0.6% d/d, while the S&P 500 added 0.3% d/d. The Nasdaq Composite was up 0.6% d/d, a 5-day winning streak. Tonight, big banks including JPMorgan, Bank of America, Citigroup and Wells Fargo are set to report quarterly earnings. European markets also closed higher despite a choppy afternoon following the release of US inflation data. Stoxx 600 closed 0.6% d/d higher, while FTSE 100 added 0.9% d/d. Asian shares were mostly in the green. While Nikkei 225 closed flat, Hang Seng and CSI 300 closed up 0.4% d/d and 0.2% d/d respectively.
- Treasury yields tumbled after the inflation data. The yield on the benchmark 10-year was down 10 bps at 3.44%. The 2-year Treasury yield was trading 7bps lower at around 4.14%.
- Similarly, the Dollar Index tumbled 0.9% d/d to 102.25, its lowest level since June 2022. Against USD, EUR and GBP strengthened by 0.9% d/d and 0.5% d/d respectively. JPY jumped 2.4% d/d to 129.25, boosted by a report that the Bank of Japan (BOJ) will review the side effects of its monetary easing at next week's policy meeting and may consider adjusting its bond purchases and make further policy tweaks if necessary. Chinese Yuan appreciated 0.6% d/d to 6.7266 on optimism that China's economy is on the road to recovery. Both the MYR and SGD also appreciated by 0.3% d/d and 0.5% d/d respectively to close at 4.3590 and 1.3252.
- Oil prices rose for the 6th day on growing confidence in China's recovery. Brent closed the day 1.3% d/d up, while West Texas Intermediate (WTI) gained 1.7% d/d. Gold topped \$1,900/oz, before retreating slightly to \$1,898.80/oz, gaining 1.1% d/d spurred by the drop in USD.

US Core inflation eased to 5.7%

- US inflation continued to decelerate in December, adding to evidence that price pressures have peaked and putting the Fed on track to slow the pace of rate hikes. The overall CPI fell 0.1% m/m (Nov: +0.1% m/m), with cheaper energy costs fuelling the first decline in 2.5 years. On a y/y basis, inflation softened to 6.5% y/y (Nov: +7.1% y/y), matching consensus and the lowest since Oct 2021. Core inflation also came within expectations, slowing to +5.7% y/y (Nov: +6.0% y/y), the smallest increase since Dec 2021. Philadelphia Fed President Patrick Harker, speaking shortly after the release of the CPI data, said that rate hikes of 25bps will be appropriate going

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	34,189.97	0.64
S&P 500	3,983.17	0.34
NASDAQ	11,001.10	0.64
Stoxx Eur 600	450.22	0.63
FTSE 100	7,794.04	0.89
Nikkei 225	26,449.82	0.01
Hang Seng	21,514.10	0.36
Straits Times	3,267.78	-0.11
KLCI 30	1,488.66	0.05
FX		
Dollar Index	102.25	-0.91
EUR/USD	1.0853	0.89
GBP/USD	1.2210	0.53
USD/JPY	129.25	-2.42
AUD/USD	0.6969	0.94
USD/CNH	6.7266	-0.61
USD/MYR	4.3590	-0.26
USD/SGD	1.3252	-0.45
Commodities		
WTI (\$/bbl)	78.39	1.27
Brent (\$/bbl)	84.03	1.65
Gold (\$/oz)	1,898.80	1.06
Copper (\$\$/MT)	9,187.00	0.68
Aluminum(\$/MT)	2,548.50	1.53
CPO (RM/tonne)	3,825.50	-0.79

Source: Bloomberg, HLBB Global Markets Research

forward. His comments echoed remarks a day earlier from Susan Collins, his counterpart at the Boston Fed.

- Initial jobless claims, meanwhile, point to a still resilient labour market. Claims unexpectedly fell 1k to 205k for the week ending Jan 7 (Dec 31: -17k to 206k). Continuing claims for the week ending Dec 31 also fell 63k to 1634k (Dec 24: -21k to 1697k). Separate data also showed that real average weekly earnings rose 0.1% m/m in Dec (Nov: 0%), but is down 3.1% y/y (Nov: -3.3% y/y)

Australia's trade surplus widened more than expected

- Australia's trade surplus widened more than expected to A\$13.2bn in Nov (Oct: +A\$12.7bn. Exports were flat m/m (Oct: -1.0% m/m), while imports fell 1.0% m/m (Oct: -2.0% m/m)

Japan's current account surplus surged to 1.8 trillion yen

- Japan's current account surplus surged more than expected to 1.8 trillion yen in Nov (Oct: -64.1bn yen), driven by a record rise in primary income gains from returns on Japanese overseas investment. Current account surplus was also boosted by a narrower than expected trade deficit for the month at 1.5 trillion yen (Nov: -1.9 trillion yen).
- On a positive note, the Eco Watcher's survey outlook unexpectedly rose more than expected to 47.0 in Dec (Nov: 45.1), while current conditions index fell less than expected to 47.9 (Nov: 48.1). Bank lending, meanwhile, was unchanged at 2.7% y/y for the same month (Nov: +2.7% y/y).

China's inflation remained moderate at 1.8%; PPI fell by 0.7%

- China's inflation rate matched expectations to accelerate by +1.8% y/y in Dec (Nov: +1.6% y/y). The contraction in producer prices, meanwhile, was more than expected at -0.7% y/y for the same month (Nov: -1.3% y/y). According to Chief NBS statistician Dong Lijuan, the bigger than expected decline in PPI reflects the "virus damage" on industrial demand during the month and added that the authorities have taken measures to ensure stable supplies and prices. In our opinion, the soft CPI suggests that demand was weak and is expected to remain so until the re-opening triggers price pressures. At this juncture, this data leaves room for PBOC to reduce its key benchmark rate in its next monetary policy meeting if need to.

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
13-Dec	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%
16-Dec	CH Imports YoY (Dec)	-10.60%
	JN PPI MoM (Dec)	0.60%
	AU Melbourne Institute Inflation MoM (Dec)	1.00%
	CH 1-Yr Medium-Term Lending Facility Rate	2.75%
	CH New Home Prices MoM (Dec)	-0.25%

Source: Bloomberg

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