

13 February 2023

Global Markets Research

Daily Market Highlights

13 Feb: Wall Street closed mixed

Losses amongst growth stocks; UST extended losses led by long-end

China's inflation accelerated to 2.1%; PPI remained in deflation

UK averted a technical recession; Malaysia's 4Q GDP growth normalized to 7.0%

- Stocks closed mixed in Wall Street with losses concentrated on growth stocks, particularly in the tech sector. While the Dow Jones and S&P 500 rose 0.5% d/d and 0.2% d/d respectively, NASDAQ lost 0.6% d/d. Lyft plummeted 36.4% d/d as the current quarter forecast was below estimates and it also lowered prices, raising concerns it was falling behind Uber Technologies. TESLA also shed 5.0% d/d. In Europe, stocks closed lower with Stoxx 600 down 1.0% d/d, while FTSE 100 lost 0.4% d/d. In Asia, Nikkei 225 rose 0.3% d/d, but Hang Seng slid 2.0% d/d.
- Treasuries extended losses, led by long-end as the 30-year yield climbed 8bps to 3.82%. The yield on the 10-year note rose 7bps to 3.73%, while the yield for the 2-year UST rose 4bps to 4.52%.
- Dollar Index edged up by 0.4% d/d to 103.63 amidst higher Treasury yields as bets grow that the Fed will need to keep rates higher for longer to stamp out inflation. EUR depreciated 0.6% d/d amidst European bond and equity weakness as well as nervousness over Ukraine. GBP closed the day 0.5% d/d weaker, after climbing as high as 1.2139 earlier amidst hedge fund purchases. Over in Asia, CNH weakened 0.5% d/d after China's mild inflation report sparked speculation on PBOC rate cuts. JPY closed 0.2% d/d stronger following media reports that the government will surprisingly nominate policy hawk Kazuo Ueda instead to lead the central bank. Both the MYR and SGD depreciated 0.4% d/d each to close the week at 4.3342 and 1.3303 respectively.
- Prices of oil rose 2.2% d/d after Russia followed through on threats to reduce production in response to the energy sanctions. Price of gold, meanwhile, slipped marginally by 0.2% d/d.

RBA's hawkish-sounding MPC statement

- The Reserve Bank of Australia (RBA) revised up its forecasts for core inflation and wages growth and warned that further increases in interest rates would be needed to head off a damaging wage-price spiral. Key highlights include: 1) Trimmed mean inflation of 6.3% in the year ended June (Previous forecast: +5.5%) before easing to 4.3% in December (Previous forecast: 3.8%). 2) Wages are expected to climb to 4.1% in June and peak at 4.3% later in the year. 3) Forecast is based on cash rate peaking at 3.75% in 2H before softening to 3.00% by mid-2025. 4) Household consumption slowing to 1.7% by end-2023 from +5.5% last year. 5) GDP growth of 1.6% this year (2002: +2.7%), decelerating to

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	33,869.27	0.50
S&P 500	4,090.46	0.22
NASDAQ	11,718.12	-0.61
Stoxx Eur 600	457.89	-0.96
FTSE 100	7,882.45	-0.36
Nikkei 225	27,670.98	0.31
Hang Seng	21,190.42	-2.01
Straits Times	3,360.69	0.04
KLCI 30	1,474.59	0.68
FX		
Dollar Index	103.63	0.40
EUR/USD	1.0678	-0.58
GBP/USD	1.2062	-0.49
USD/JPY	131.36	-0.17
AUD/USD	0.6917	-0.27
USD/CNH	6.8231	0.45
USD/MYR	4.3342	0.41
USD/SGD	1.3303	0.35
Commodities		
WTI (\$/bbl)	79.72	2.13
Brent (\$/bbl)	86.39	2.24
Gold (\$/oz)	1,862.80	-0.18
Copper (\$\$/MT)	8,857.50	-1.40
Aluminum(\$/MT)	2,440.50	-2.34
CPO (RM/tonne)	3,869.00	-0.60

Source: Bloomberg, HLBB Global Markets Research

1.4% by mid-2024. 6) Unemployment rate estimates were left unchanged at 3.8% for December, rising to 4.5% by mid-2025.

US Consumer sentiment increased for the third month

- University of Michigan's Consumer Sentiment edged up above expectations to 66.4 in February (Jan: 64.9). After three consecutive months of increases, sentiment is now 6% above a year ago but still 14% below two years ago, prior to the current inflationary episode. Overall, high prices continue to weigh on consumers despite the recent moderation in inflation. Year-ahead inflation expectations rebounded more than expected to 4.2% (Jan: +3.9%). Long-run inflation expectations remained at 2.9% for the third straight month.

UK averted a technical recession by posting zero growth in 4Q

- The UK economy managed to dodge a technical recession in 4Q, matching expectations and posting no growth for the quarter (3Q: -0.2% q/q). Gains in demand were offset by a drop in net trade. Notably, private consumption posted a modest +0.1% q/q growth (3Q: -0.4% q/q), while business investment performed particularly well with a +4.8% q/q jump (3Q: -3.2%). Outlook for 2023 will nevertheless be worse with IMF projecting the economy to contract 0.6% y/y (2022: +4.0% y/y).
- For the month of December, industrial production unexpectedly grew 0.3% m/m (Nov: +0.1% m/m), with manufacturing output posting no growth for the month (Nov: -0.6% m/m). Separately, trade deficit widened more than expected to £7.2bn (Nov: -£2.3bn), predominantly due to higher goods deficit of -£19.3bn (Nov: -£14.7bn). Exports of goods fell at a faster pace of 7.7% m/m (Nov: -1.9% m/m), while imports rose 2.9% m/m (Nov: +4.5% m/m).

Japan's PPI softened more than expected to +9.5%

- Japan's PPI decelerated more than expected to +9.5% y/y in January (Dec: +10.5%) with softer commodity prices being a major factor. This should somewhat allay inflationary concern.

China's PPI deflation worsened more than expected, inflation accelerated as per expectations, record high new loans

- China's producer price deflation deepened more than expected at -0.8% y/y in January (Dec: -0.7% y/y) while inflation, as measured by the consumer price index (CPI), accelerated but matched expectations at +2.1% y/y (Dec: +1.8% y/y). The latter accelerated due to the Lunar New Year holiday and eased coronavirus prevention and control policies, while the former was largely due to softer commodity costs.
- Chinese banks, meanwhile, extended a record amount of new loans, beating consensus estimate at 4.9 trillion yuan (Dec: 1.4 trillion yuan). This came after PBOC and bank regulators asked banks to front load credit to businesses, though consumer borrowings remained subdued amidst uncertainty in job outlook.

Singapore's kept 2023 growth forecast at 0.5% to 2.5%; downgraded 2022 GDP to 3.6%

- Singapore's economy grew by 3.6% in 2022 (2021: +8.9%), slightly slower than the earlier estimate of 3.8%. At the same time, MTI maintained its GDP growth forecast for 2023 at 0.5%-2.5%.
- In the 4Q of 2022, the economy expanded by 2.1% y/y and 0.1% q/q (3Q: +4.0% y/y and +0.8% q/q), a downward revision from an earlier projection of +2.2% y/y and +0.2% q/q respectively. The manufacturing sector shrank by 2.6% y/y (3Q:

+1.1% y/y), led by contraction in the biomedical manufacturing, chemicals, electronics and general manufacturing clusters. The construction sector expanded by 10.0% y/y (3Q: +8.1% y/y), while the services sector grew by +4.0% y/y (3Q: +5.5% y/y).

Malaysia's 4Q GDP growth normalized to 7.0% y/y underpinned by domestic demand

- Growth in the Malaysian economy tapered off less than expected to 7.0% y/y in 4Q (3Q: +14.2% y/y), better than ours as well as consensus estimate of +6.7%. This brought full year 2022 GDP growth to 8.7% y/y (2021: +3.1% y/y). Growth in the final quarter of 2022 was underpinned by a combo of domestic demand, most notably private consumption, as well as a pick-up in net exports. The broad moderation in 4Q GDP was due to waning effects from policy support as well as distortion from base effect in 3Q.
- Moving forward, the Malaysian economy is still expected to chart decent growth, likely at the upper end of official forecast range of 4.0-5.0% in 2023, supported by favourable domestic demand as a result of continuous improvement in the labour market, implementation of new and existing investment projects, as well as further recovery in tourism activities.

House View and Forecasts

FX	This Week	1Q-23	2Q-23	3Q-23	4Q-23
DXY	102-104	101.4	100.9	99.9	98.9
EUR/USD	1.06-1.08	1.09	1.10	1.10	1.10
GBP/USD	1.19-1.22	1.22	1.23	1.23	1.23
USD/JPY	130-133	128	127	127	126
AUD/USD	0.68-0.70	0.69	0.69	0.70	0.71
USD/MYR	4.30-4.35	4.38	4.36	4.32	4.27
USD/SGD	1.32-1.34	1.32	1.30	1.28	1.26

Rates, %	Current	1Q-23	2Q-23	3Q-23	4Q-23
Fed	4.50-4.75	4.75-5.00	4.75-5.00	4.75-5.00	4.75-5.00
ECB	3.00	3.50	3.50	3.50	3.50
BOE	4.00	4.25	4.25	4.25	4.25
BOJ	-0.10	-0.10	-0.10	-0.10	-0.10
RBA	3.35	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
13-Feb	SI GDP YoY (4Q F)	2.20%
14-Feb	AU Westpac Consumer Conf Index (Feb)	84.3
	JN GDP SA QoQ (4Q P)	-0.20%
	JN GDP Annualized SA QoQ (4Q P)	-0.80%
	AU NAB Business Conditions (Jan)	12
	JN Industrial Production MoM (Dec F)	-0.10%
	UK ILO Unemployment Rate 3Mths (Dec)	3.70%
	EC GDP SA QoQ (4Q P)	0.10%
	EC Employment QoQ (4Q P)	0.30%
	US NFIB Small Business Optimism (Jan)	89.8
	US Real Avg Weekly Earnings YoY (Jan)	-3.10%
	US CPI Ex Food and Energy YoY (Jan)	5.70%
	SI Singapore 2023 Budget Release	

Source: Bloomberg

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