

13 March 2023

**Global Markets Research**
**Daily Market Highlights**

## 13 March: SVB's collapse rattled financial markets

**Equities plunged; UST yields fell more than 20bps; DXY closed 0.7% lower at 104.58**

**US NFP beat expectations at 311k; unemployment rate inched up to 3.6%**

**BOJ kept policy rate at -0.1%; JPY jumped 0.8% as SVB's collapse spurred haven demand**

- Wall Street erased nearly all its gains for the year on Friday following the collapse of Silicon Valley Bank (SVB). Dow Jones Industrial Average fell 1.1%, the S&P 500 lost 1.5% d/d while Nasdaq Composite shed 1.8% d/d. The Federal Deposit Insurance Corporation (FDIC) took control of SVB, while the company's stocks remained halted. US Treasury Secretary Janet Yellen also convened US financial authorities to discuss the bank's closure. A host of regional bank stocks were halted from trading after falling sharply in a volatile Friday session, including Pacwest Bancorp, First Republic Bank, Signature Bank and Western Alliance Bancorp. European markets also closed lower, led by a sell off in the banking sector. Stoxx 600 fell 1.4% d/d, while FTSE 100 lost 1.7% d/d. In Asia, Nikkei 225 and Hang Seng dipped 1.7% d/d and 3.1% d/d respectively.
  - The benchmark 10-year Treasury yield fell 21bps to 3.70%, while the 2-year Treasury yield fell another 28bps to 4.59%. This is the most since the 2008 financial crisis as investors flocked to safety on the bank collapse-contagion fears.
  - Dollar lost its lustre with the latest focus of global investor anxiety. The Dollar Index fell 0.7% d/d to 104.58. EUR and GBP strengthened 0.6% d/d and 0.9% d/d respectively with the latter getting a lift from buoyant GDP data. JPY jumped 0.8% d/d as SVB failure stirred haven demand. CNH strengthened 0.5% d/d, while SGD appreciated 0.2% d/d to 1.3500. MYR closed flat at 4.5200.
  - Oil prices climbed more than 1.0% d/d after better-than-expected US employment data. Brent rose 1.5% d/d, while West Texas Intermediate crude was up 1.3% d/d. Prices of gold jumped 1.8% d/d driven by safe-haven flows into bullion.
- BOJ unanimously voted to keep policy rate at -0.10%**
- As expected, the Bank of Japan's (BOJ) committee members voted unanimously to keep its policy rate unchanged at -0.10% and reiterated the central bank's target to keep the yield on the 10-year Japanese Government Bond (JGB) around 0%. The central bank signalled its continued concern over the economy by downgrading its view on exports and production although it left its overall economic assessment unchanged. BOJ Governor Haruhiko Kuroda, at the press conference also added that it is still too early to discuss policy exit for now.

**Key Market Metrics**

	Level	d/d (%)
<b>Equities</b>		
Dow Jones	31,909.64	-1.07
S&P 500	3,861.59	-1.45
NASDAQ	11,138.89	-1.76
Stoxx Eur 600	453.76	-1.35
FTSE 100	7,748.35	-1.67
Nikkei 225	28,143.97	-1.67
Hang Seng	19,319.92	-3.04
Straits Times	3,177.43	-1.15
KLCI 30	1,433.08	-1.13
<b>FX</b>		
Dollar Index	104.58	-0.70
EUR/USD	1.0643	0.59
GBP/USD	1.2030	0.88
USD/JPY	135.03	-0.82
AUD/USD	0.6580	-0.15
USD/CNH	6.9398	-0.53
USD/MYR	4.5200	0.02
USD/SGD	1.3500	-0.24
<b>Commodities</b>		
WTI (\$/bbl)	76.68	1.27
Brent (\$/bbl)	82.78	1.46
Gold (\$/oz)	1,867.20	1.78
Copper (\$\$/MT)	8,867.00	0.16
Aluminum(\$/MT)	2,313.00	-0.64
CPO (RM/tonne)	4,150.00	-1.76

Source: Bloomberg, HLBB Global Markets Research

- Wholesale prices slowed for the second month and more than expected by +8.2% y/y in February (Jan: +9.5% y/y). The slowdown heightened the likelihood that Japan's CPI will moderate in coming months.
- Household spending fell more than expected, albeit at a softer pace of 0.3% y/y in January (Dec: -1.3% y/y). On a m/m basis however, spending increased for the first time in three months by 2.7% m/m led by increases in transportation, communication and entertainment. The softer than expected y/y spending, coupled with contraction in PPI reinforced BOJ's stance that the economy still requires policy support.

#### **US nonfarm payrolls rose more than expected by 311k, unemployment rate inched up to 3.6%**

- Nonfarm payrolls added more jobs than expected by 311k in February (Jan: +504k). Although a deceleration from January, the employment market is still healthy at this rate. Job gains were led by leisure and hospitality, retail trade, government and healthcare, while employers shed jobs in information as well as transportation and warehousing.
- The unemployment rate rose more than expected to 3.6% (Jan: 3.4%), amid an uptick in the labor force participation rate to 62.5% (Jan: 62.4%). This is the highest level since March 2020. Average hourly earnings, meanwhile, climbed less than expected by +4.6% y/y (Jan: +4.4%). It should be noted that wages for production and non-supervisory workers, which make up the majority of workers, advanced 0.5% m/m, the biggest gain in 3 months and driven by the service industries.

#### **UK GDP beat expectations to grow 0.3%**

- UK's GDP beat expectations to grow by +0.3 m/m in Jan (Dec: -0.5% m/m). The turnaround was led by services, which expanded by 0.5% m/m (Dec: -0.8% m/m). Commenting on the GDP data, UK Finance Minister Jeremy Hunt said that the UK economy has proved more resilient than many expected, but there is a long way to go.
- Manufacturing output, meanwhile, unexpectedly contracted by 0.4% m/m for the same month (Dec: 0%), weighing down on growth in industrial output at -0.3% m/m (Dec: +0.3% m/m). Separately, trade deficit narrowed to £17.9bn (Dec: £19.3bn) as exports fell 9.4% m/m (Dec: -7.7% m/m) while imports fell 8.7% m/m (Dec: +2.9% m/m). Lower gas prices reduced fuel imports, while the contraction in exports were led by lower exports of fuels, chemicals and material manufactures to EU countries.

#### **House View and Forecasts**

<b>FX</b>	<b>This Week</b>	<b>1Q-23</b>	<b>2Q-23</b>	<b>3Q-23</b>	<b>4Q-23</b>
DXY	103-106	105	104	103	102
EUR/USD	1.05-1.07	1.05	1.06	1.06	1.06
GBP/USD	1.17-1.21	1.20	1.21	1.21	1.21
USD/JPY	133-138	134	132	132	131
AUD/USD	0.65-0.67	0.69	0.69	0.70	0.71
USD/MYR	4.47-4.55	4.40	4.36	4.30	4.25
USD/SGD	1.34-1.36	1.33	1.31	1.29	1.27

<b>Rates, %</b>	<b>Current</b>	<b>1Q-23</b>	<b>2Q-23</b>	<b>3Q-23</b>	<b>4Q-23</b>
Fed	4.50-4.75	4.75-5.00	5.25-5.50	5.25-5.50	5.25-5.50
ECB	3.00	3.50	3.75	3.75	3.75
BOE	4.00	4.25	4.25	4.25	4.25
BOJ	-0.10	-0.10	-0.10	-0.10	-0.10
RBA	3.60	3.60	3.85	3.85	3.85

BNM                    2.75                    2.75                    3.00                    3.00                    3.00

Source: HLBB Global Markets Research

#### Up Next

Date	Events	Prior
13-March	JN BSI Large All Industry QoQ (1Q)	0.7
	MA Manufacturing Sales Value YoY (Jan)	8.60%
	MA Industrial Production YoY (Jan)	3.00%
14-March	AU Westpac Consumer Conf Index (Mar)	78.5
	AU NAB Business Conditions (Feb)	18
	UK Weekly Earnings ex Bonus 3M/YoY (Jan)	6.70%
	UK ILO Unemployment Rate 3Mths (Jan)	3.70%
	HK PPI YoY (4Q)	0.40%
	HK Industrial Production YoY (4Q)	-0.60%
	US NFIB Small Business Optimism (Feb)	90.3
	US CPI YoY (Feb)	6.40%
US Real Avg Weekly Earnings YoY (Feb)	-1.50%	

Source: Bloomberg

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