14 February 2023

Global Markets Research

Daily Market Highlights

14 Feb: Stocks closed up as wage survey eased CPI fears

European Commission raised GDP projections; Euro area to avoid recession

DXY fell ahead of US CPI; JPY under pressure on BOJ governor nominations

Biden administration to sell more crude oil from reserve; WTI dipped below $80

- Stocks closed higher overnight with broad gains after a New York Fed consumer survey showed that household income fell sharply, easing inflation fears. The S&P added 1.1% d/d, with every sector save energy in the green. Nasdaq rebounded to grow by 1.5% d/d, while Dow Jones gained 1.1% d/d, the most since January.

- In Europe, optimism over resilient economic growth pushed equities higher. The Stoxx 600 gained 0.9% d/d, lifted by construction, industrial goods and consumer stocks. FTSE 100 also closed the day 0.8% d/d higher. In Asia, key indices traded lower with the Nikkei 225 and Hang Seng falling 0.9% d/d and 0.1% d/d respectively.

- Two-year Treasury yields rose to a high for the year after swap traders priced in a higher mid-year peak for the Federal Reserve's policy rate. The 2-year Treasury yield approached 4.56%, before closing flat at 4.52%. The yield on 10-year Treasuries declined 3bps to 3.70%.

- The Dollar Index fell 0.3% d/d, as investors await the US January CPI report due tonight. JPY, specifically, weakened the most amongst the G10 by 0.8% d/d as traders positioned for BOJ nominations. EUR strengthened 0.4% d/d after EU officials revised its GDP forecast for 2023 upward. Similarly, GBP gained 0.6% d/d. Closer to home, SGD strengthened marginally by 0.1% d/d to 1.3287 while MYR weakened 0.7% d/d to 4.3622.

- The West Texas Intermediate (WTI) dipped below $80/barrel earlier in the day on a report that the Biden administration plans to sell more crude oil from the Strategic Petroleum Reserve. Nevertheless, WTI rebounded to close up 0.5% d/d, while the Brent gained 0.3% d/d. Price of gold, meanwhile, fell 0.6% d/d ahead of the release of US inflation data, which may give a steer on Fed's next move.

New York Fed: Inflation expectations mostly stable; income growth expectations fell

- According to New York Fed's January Survey of Consumer Expectations, median inflation expectations remained unchanged at 5.0% at the one-year horizon, decreased by 0.3ppts to 2.7% at the three-year horizon, and rose 0.1ppts to 2.5% at the five-year horizon. Median expected growth in household income, meanwhile, fell 1.3ppts to 3.3%, the largest 1-month drop in the series' history but remained well above its pre-pandemic levels.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	34,245.93	1.11
S&P 500	4,137.29	1.14
NASDAQ	11,891.79	1.48
Stoxx Eur 600	462.03	0.90
FTSE 100	7,947.60	0.83
Nikkei 225	27,427.32	-0.88
Hang Seng	21,164.42	-0.12
Straits Times	3,324.70	-1.07
KLCI 30	1,475.17	0.04
FX		
Dollar Index	103.35	-0.28
EUR/USD	1.0723	0.42
GBP/USD	1.2139	0.64
USD/JPY	132.42	0.81
AUD/USD	0.6966	0.71
USD/CNH	6.8242	0.02
USD/MYR	4.3622	0.65
USD/SGD	1.3287	-0.12
Commodities		
WTI ($/bbl)	80.14	0.53
Brent ($/bbl)	86.61	0.25
Gold ($/oz)	1,851.90	-0.59
Copper ($$/MT)	8,938.00	0.91
Aluminum($/MT)	2,412.50	-1.15
CPO (RM/tonne)	3,883.50	0.37

Source: Bloomberg, HLBB Global Markets Research

EC: Euro area to avoid recession but headwinds persist

- In its Winter interim Forecast, the European Commission lifted its outlook for growth and slightly lowered its inflation projections. Growth for 2022 is now estimated at 3.5% for the euro area. GDP is projected to expand by 0.9% and 1.5% for 2023 and 2024 (Autumn forecast: +0.3% for 2023 and +1.5% for 2024). In its accompanying statement, the EC pegged this improved outlook to a mild winter and high levels of gas storage which helped to ease the energy crisis, strong labour market as well as improved economic sentiment.
- In the euro area, headline inflation is projected to decelerate from 8.4% in 2022 to 5.6% in 2023 and to 2.5% in 2024 (Autumn forecast: +6.1% and +2.6% for 2023 and 2024). The downward revision mainly reflected developments in the energy market.

Australia's consumer sentiment fell 6.9%

- Westpac-Melbourne Institute Consumer Sentiment Index turnaround to fall 6.9% to 78.5 in February (Jan: +5.0% m/m to 84.3) The latest sentiment decline followed ABS release earlier showing CPI surging to 7.8% in December. At this level, sentiment is back at its historic lows, weaker reads only ever seen during recession. In tandem with this, attitudes towards major household purchases also at its fourth lowest in 48 years.

Singapore maintained its trade growth forecast of -2.0% to 0.0% for 2023

- Singapore's merchandise trade grew 17.7% y/y in 2022 (2021: +19.7 y/y). Specifically, non-oil domestic exports decelerated to +3.0% y/y for the year (2021: +12.1% y/y) following slower electronics shipment (+0.5% y/y vs 2021: 16.3% y/y). Moving forward, EnterpriseSG is maintaining its 2023 forecast of "-2.0% to 0.0%" for both total merchandise trade and NODX. The softer growth is premised upon the high base in 2022 and lower expected oil prices.

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	4.30-4.38	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	world	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
14-Feb	JN GDP SA QoQ (4Q P)	-0.20%
	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	
15-Feb	CH 1-Yr Medium-Term Lending Facility Rate	2.75%
	UK CPI YoY (Jan)	10.50%
	UK PPI Output NSA YoY (Jan)	14.70%
	UK PPI Input NSA YoY (Jan)	16.50%
	EC Industrial Production SA MoM (Dec)	1.00%
	EC Trade Balance SA (Dec)	-15.2b
	US MBA Mortgage Applications	7.40%
	US Empire Manufacturing (Feb)	-32.9
	US Retail Sales Advance MoM (Jan)	-1.10%
	US Industrial Production MoM (Jan)	-0.70%
	US Capacity Utilization (Jan)	78.80%
	US Business Inventories (Dec)	0.40%
	US NAHB Housing Market Index (Feb)	35

Source: Bloomberg

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