

14 March 2023

Global Markets Research

Daily Market Highlights

14 March: Wall Street fell despite emergency backstop

**Financial stocks continued to haemorrhage; spill-over to European and Asian markets
2Y UST yield plunged 61bps and lost 100bps in three days; worst since Black Monday
DXY fell 0.9%; investors flocked to safe haven JPY**

- S&P 500 fell 0.2% d/d on Monday, after bouncing between losses and gains amidst continued rout in bank shares. The Dow Jones Industrial Average lost 0.3% d/d, but the policy sensitive Nasdaq Composite closed 0.5% higher after swap traders pared down expectations of another 25bps rate hike in its next FOMC meeting. Shares of First Republic Bank plunged 61.8% d/d as heightened worries about the state of US regional banks triggered trading halts across the sector.

European markets also closed sharply lower after the fallout from the Silicon Valley Bank (SVB). Stoxx 600 closed down 2.4%, while FTSE 100 lost 2.6% d/d. The slide in stocks comes despite news that HSBC had agreed to buy the British arm of the troubled US tech startup-focused lender for £1. Shares of HSBC fell 4.1% d/d, while Commerzbank slid around 9.5% d/d. Credit Suisse was down 9.6% d/d. Asia-Pacific markets traded mixed, with Hang Seng up 2.0% d/d while Nikkei 225 fell 1.1% d/d.

- The yield on the 2-year Treasury posted its biggest 1-day plunge by 61bps at 3.98% as investors flocked to safe haven. The yield has fallen more than 1ppts since Wednesday, marking the largest 3-day decline since Black Monday. The yield on the 10-year Treasury was down 13bps at 3.57%.
- The Dollar Index fell 0.9% d/d as markets bet that the Federal Reserve will be less aggressive in raising interest rates to curb inflation after US authorities stepped in to limit the fallout from the sudden collapse of SVB. EUR strengthened 0.8% d/d ahead of the European Central Bank's policy meeting, while GBP appreciated 1.3% d/d. Safe-haven currency JPY benefited from the fallout, strengthening 1.4% d/d to 133.21. SGD also gained 0.3% d/d at 1.3462, while MYR appreciated 0.5% d/d 4.4967.
- Price of gold surged 2.6% d/d as its safe-haven appeal drew in investors. Oil prices fell between 2.4-2.5% d/d in volatile trading as SVB's collapse reverberated through the markets, but a recovery in Chinese demand provided some support. As it is, Saudi Aramco is forecasting consumption to hit a record 102m barrels per day by the end of 2023.

Australia's CBA HSI dipped 0.1% on discretionary spending; consumer sentiment held near 30-year low

- According to the CommBank Household Spending Intentions (HSI) Index, consumer spending in entertainment, retail, and travel continued to fall in February. Despite large falls across discretionary spending, the broader

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	31,819.14	-0.28
S&P 500	3,855.76	-0.15
NASDAQ	11,188.84	0.45
Stoxx Eur 600	442.80	-2.42
FTSE 100	7,548.63	-2.58
Nikkei 225	27,832.96	-1.11
Hang Seng	19,695.97	1.95
Straits Times	3,132.37	-1.42
KLCI 30	1,421.83	-0.79
FX		
Dollar Index	103.60	-0.94
EUR/USD	1.0731	0.83
GBP/USD	1.2183	1.27
USD/JPY	133.21	-1.35
AUD/USD	0.6668	1.34
USD/CNH	6.8520	-1.27
USD/MYR	4.4967	-0.52
USD/SGD	1.3462	-0.28
Commodities		
WTI (\$/bbl)	74.80	-2.45
Brent (\$/bbl)	80.77	-2.43
Gold (\$/oz)	1,916.50	2.64
Copper (\$\$/MT)	8,931.00	0.72
Aluminum(\$/MT)	2,333.50	0.89
CPO (RM/tonne)	4,251.00	0.34

Source: Bloomberg, HLBB Global Markets Research

CommBank HSI Index dipped only marginally by 0.1% m/m (Jan: -6.8% m/m), due to a seasonal rise in home buying and motor vehicles and after traditionally lower spending in January.

- The Westpac Melbourne Institute Consumer Sentiment Index was unchanged at 78.5 in March, holding near historical lows. This marks the second consecutive month of extremely weak consumer sentiment. Index reads below 80 are rare, back-to-back reads even rarer. An emerging area of particular concern is the outlook for sales of major household items. The 'time to buy a major household item' sub-index fell 74.9 (Feb: 78.0).

Japan's 1Q Business conditions fell to -3.0

- Japan's BSI Index fell to -3.0 in 1Q (4Q: +0.7ppts), with both manufacturing and non-manufacturing sub-indices worsening or softening to -10.5 (4Q: -3.6) and +0.6 (4Q: +2.7) respectively. On a positive note, the outlook index rebounded to +0.7 in 2Q and 5.2 in 3Q, with both sectors in the positive territory.

Slower growth in Malaysia's IPI and wholesale & retail trade

- Growth in Malaysia's Industrial Production Index (IPI) continued to ease for a 2nd straight month, decelerating to 1.8% y/y in January (Dec: +3.0% y/y), below market expectations but within ours. This marked its slowest growth since Aug-21, dragged by slower growth in manufacturing output (+1.3% vs +3.0% y/y) and continued declines in electricity production (-4.3% vs -2.2% y/y). This more than offset quicker gains in mining (+5.9% vs +3.9%y/y) which was attributable to bigger increases in both the crude oil and natural gas components. Taking a deeper dive into the manufacturing sector, both export-as well as domestic-oriented sectors registered slower growth for the 2nd month in a row, most notably E&E (+0.4% vs +7.2% y/y).
- In tandem with the softer traction in IPI, manufacturing sales growth also tapered off for the 5th straight month, to 6.5% y/y in January (Dec: +8.6% y/y). Employment conditions softened a tad, with the number of employed increasing at a slower pace of 3.0% y/y to 2.34m (Dec: +3.4%) while gains in salaries & wages slowed to 4.0% y/y (Dec: +5.4%).
- Wholesale & retail sales saw continued growth at double-digit pace, affirming our view that consumer spending will remain in the driver seat in underpinning growth going forward. Overall wholesale & retail sales growth grew 12.4% y/y at a slightly slower pace in January (Dec: +13.8%), driven by increases in wholesale (+3.1% vs +4.7%), retail (+21.7% vs +22.7%) and motor vehicles (+20.1% vs +20.5%).

House View and Forecasts

FX	This Week	1Q-23	2Q-23	3Q-23	4Q-23
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

Rates, %	Current	1Q-23	2Q-23	3Q-23	4Q-23
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
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Source: HLBB Global Markets Research

Up Next

Date	Events	Prior
14-March	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%
15-March	CH 1-Yr Medium-Term Lending Facility Rate	2.75%
	CH Surveyed Jobless Rate (Feb)	5.50%
	CH Industrial Production YTD YoY (Feb)	3.60%
	CH Retail Sales YTD YoY (Feb)	-0.20%
	CH Fixed Assets Ex Rural YTD YoY (Feb)	5.10%
	EC Industrial Production SA MoM (Jan)	-1.10%
	US MBA Mortgage Applications	7.40%
	US PPI Final Demand MoM (Feb)	0.70%
	US Empire Manufacturing (Mar)	-5.8
	US Retail Sales Advance MoM (Feb)	3.00%
	US Business Inventories (Jan)	0.30%
	US NAHB Housing Market Index (Mar)	42
	UK UK Chancellor Presents Spring Budget to Parliament	

Source: Bloomberg

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