

14 April 2023

## Global Markets Research

### Daily Market Highlights

## 14 April: US equities and treasuries yields advanced

**US PPI softened more than expected to the lowest in 2 years; jobless claims jumped**

**UK GDP growth stalled on winter strike; China exports unexpectedly grew 14.8%**

**MAS maintained policy band; 1Q GDP contracted more than expected by 0.7% q/q**

- Wall Street jumped on Thursday as the latest PPI and job print reaffirmed expectations of a peak in the tightening cycle soon. The S&P 500 climbed 1.3% d/d to its highest close since February. Nasdaq Composite gained 2.0% d/d while the Dow Jones Industrial Average added 1.1% d/d. Communication services and information technology sectors were among the notable gainers. Amazon rose 4.7% d/d after the company announced technology targeted at cloud customers and a market for AI tools. SoftBank, on the other hand, fell 1.0% d/d on plans to cut its stake at Alibaba.
- European equity benchmarks posted modest gains, with Stoxx 600 gaining 0.4% d/d. LVMH was the top performer after a strong 1Q sales. FTSE 100 managed slight gains of 0.2% d/d. In Asia, Nikkei 225 and Hang Seng gained 0.3% and 0.2% d/d respectively.
- The yield on the benchmark 10Y UST climbed 5bps to 3.45%, while the 2Y traded only 1bps higher at 3.97%. The 10Y European bond yields closed mixed, between -2 to +3bps.
- The Dollar lost more grounds against G10, slipping 0.5% d/d to 101.01. EUR reached 1.1046, up 0.5% d/d. GBP also strengthened 0.3% d/d, while in Asia, JPY and CNH appreciated by 0.4% and 0.1% d/d. Similarly, MYR and SGD strengthened 0.2% and 0.4% d/d respectively to 4.4010 and 1.3221 on the back of broad USD weakness.
- Gold scaled 1.5% d/d to \$2,041/oz, but oil prices edged lower by 1.3-1.4% d/d, weighed down by recession risks in the US. In a news update, OPEC kept its forecast for 2023's global oil supply and demand unchanged at 1.4m (outside of OPEC) and +2.3m barrels/day respectively.

### US PPI softened to the lowest in 2 years; jobless claims jumped more than expected

- US headline and core producer prices (PPI) unexpectedly declined 0.5% m/m (Feb: no change) and 0.1% m/m (Feb: +0.2% m/m) respectively in March. 80% of the contraction was driven by a 11.7% m/m in gasoline prices. On a y/y basis, headline and core PPI also decelerated more than forecast to +2.7% y/y (Feb: +4.9% y/y) and +3.4% y/y (Feb: +4.8% y/y). The former is the smallest gain in 2 years.
- Initial jobless claims, meanwhile, jumped more than expected by 11k to +239k for the week ending April 8 (Apr 1: -18k to 228k). Continuing claims, on the

### Key Market Metrics

|                    | Level     | d/d (%) |
|--------------------|-----------|---------|
| <b>Equities</b>    |           |         |
| Dow Jones          | 34,029.69 | 1.14    |
| S&P 500            | 4,146.22  | 1.33    |
| NASDAQ             | 12,166.27 | 1.99    |
| Stoxx Eur 600      | 464.21    | 0.40    |
| FTSE 100           | 7,843.38  | 0.24    |
| Nikkei 225         | 28,156.97 | 0.26    |
| Hang Seng          | 20,344.48 | 0.17    |
| Straits Times      | 3,294.54  | 0.26    |
| KLCI 30            | 1,434.22  | -0.04   |
| <b>FX</b>          |           |         |
| Dollar Index       | 101.01    | -0.48   |
| EUR/USD            | 1.1046    | 0.49    |
| GBP/USD            | 1.2523    | 0.30    |
| USD/JPY            | 132.58    | -0.41   |
| AUD/USD            | 0.6782    | 1.36    |
| USD/CNH            | 6.8718    | -0.13   |
| USD/MYR            | 4.4010    | -0.19   |
| USD/SGD            | 1.3221    | -0.44   |
| <b>Commodities</b> |           |         |
| WTI (\$/bbl)       | 82.16     | -1.32   |
| Brent (\$/bbl)     | 86.09     | -1.42   |
| Gold (\$/oz)       | 2,041.30  | 1.51    |
| Copper (\$\$/MT)   | 9,058.50  | 1.59    |
| Aluminum(\$/MT)    | 2,367.00  | 1.81    |
| CPO (RM/tonne)     | 4,229.50  | -1.65   |

Source: Bloomberg, HLBB Global Markets Research

other hand, fell 13k to 1810k for the week ending April 1 (Mar 25: +6k to 1823k).

#### **Eurozone IPI stronger than expected**

- Eurozone's industrial output (IPI) was stronger than expected at +1.5% m/m (Jan: +1.0% m/m) and 2.0% y/y (Jan: +0.9% y/y) respectively in February. On a m/m basis, the increase in production of capital and non-durable consumer goods led gains in output.

#### **Winter strike struck UK GDP growth**

- UK real GDP unexpectedly stalled in February (Jan: +0.4% m/m) where contraction in services and production were offset by growth in construction. The services sector dipped 0.1% m/m (Jan: +0.7% m/m), dragged lower by industrial action in education and public administration and defence. Manufacturing output was flat, while the construction sector turned around to register a 2.4% m/m growth.
- UK trade deficit in goods, meanwhile, widened to £17.5bn in March (Feb: -£16.1bn) as contraction in exports outpaced imports at -6.3% m/m (Jan: -3.4% m/m) and -1.4% m/m (Jan: -8.3% m/m) respectively.
- RICS House Price Balance unexpectedly improved to -43% in March (Feb: -47%), consistent with downward trend in prices but a break from its 10<sup>th</sup> consecutive months of deterioration. The latest data continued to show a generally weak market amidst negative demand, sales, new listings, and house prices indicators.

#### **Australia employment change more than doubled expectations**

- Australia's employment change and unemployment rate beat expectations at +53.0k (Feb: +63.6k) and 3.5% (Feb: 3.5%) respectively in March. Full time employment led job gains, while the report also showed that participation rate and employment to population ratio held steady at 66.8% and 64.4%. Separately, the Melbourne Institute's inflation expectations eased to +4.6% y/y in March (Feb: +5.0% y/y), the third consecutive month of deceleration.

#### **China exports unexpectedly posted positive growth**

- China's exports unexpectedly posted positive growth of +14.8% y/y in March (Feb: -1.3% y/y), the first gain in 6 months and boosted by demand from Europe, South Korea and most Asian countries. Imports, meanwhile, weakened less than forecast at -1.4% y/y (Feb: +4.2% y/y). The latest data is a further positive sign for the economy and in line with the Government's efforts to push for trade growth with both developed and emerging market economies.

#### **Singapore's economy contracted more than expected by 0.7% q/q; MAS maintained policy band**

- Singapore's GDP contracted more than expected by 0.7% q/q in 1Q (4Q 22: +0.1% q/q), weighed down by trade-related and modern services sectors. Activity in the domestic-oriented and travel-related sectors nevertheless remained firm, supported by relatively strong consumption, investment spending as well as tourist arrivals. On a y/y basis, the economy grew at a much softer pace of +0.1% (4Q: +2.1% y/y).
- With expectations of below trend growth this year, coupled with imported inflation turning more negative and core inflation expected to ease, MAS

maintained the slope, width and centre of the policy band. We expect MAS to stay pat and maintain its SGD NEER band for the rest of the year.

#### House View and Forecasts

| FX      | This Week | 2Q-23  | 3Q-23 | 4Q-23 | 1Q-24 |
|---------|-----------|--------|-------|-------|-------|
| DXY     | 101-103   | 100.97 | 99.96 | 97.96 | 96.98 |
| EUR/USD | 1.08-1.10 | 1.10   | 1.11  | 1.12  | 1.13  |
| GBP/USD | 1.23-1.25 | 1.24   | 1.25  | 1.24  | 1.24  |
| USD/JPY | 130-134   | 131    | 130   | 128   | 128   |
| AUD/USD | 0.66-0.68 | 0.68   | 0.68  | 0.69  | 0.70  |
| USD/MYR | 4.37-4.42 | 4.39   | 4.35  | 4.31  | 4.28  |
| USD/SGD | 1.32-1.34 | 1.31   | 1.30  | 1.27  | 1.26  |

| Rates, % | Current   | 2Q-23     | 3Q-23     | 4Q-23     | 1Q-24     |
|----------|-----------|-----------|-----------|-----------|-----------|
| Fed      | 4.75-5.00 | 5.00-5.25 | 5.00-5.25 | 5.00-5.25 | 5.00-5.25 |
| ECB      | 3.50      | 4.00      | 4.00      | 4.00      | 4.00      |
| BOE      | 4.25      | 4.25      | 4.25      | 4.25      | 4.25      |
| BOJ      | -0.10     | -0.10     | -0.10     | -0.10     | -0.10     |
| RBA      | 3.60      | 3.60      | 3.60      | 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   |
|-----------|---|---------|
| 14-April  | US Retail Sales Advance MoM (Mar)         | -0.40%  |
|           | US Capacity Utilization (Mar)             | 78.00%  |
|           | US Industrial Production MoM (Mar)        | 0.00%   |
|           | US Business Inventories (Feb)             | -0.10%  |
|           | US U. of Mich. Sentiment (Apr P)          | 62      |
| 17-April  | SI Non-oil Domestic Exports YoY (Mar)     | -15.60% |
|           | CH 1-Yr Medium-Term Lending Facility Rate | 2.75%   |
|           | US Empire Manufacturing (Apr)             | -24.6   |
|           | US NAHB Housing Market Index (Apr)        | 44      |
| 17-19 Apr | EC EU Commission Economic Forecasts ()    |         |

Source: Bloomberg

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