15 February 2023

Global Markets Research

Daily Market Highlights

15 Feb: Smaller than expected moderation in US inflation

US CPI eased less than expected to 6.4% y/y in January; spurring rate hike bets

Equities dipped in early session amid hawkish Fed speaks; 2Y UST yield jumped 10bps

Solid job conditions in the EU and UK; fanning inflationary concerns

- The S&P closed flat (-0.03% d/d) after US inflation data came in higher than expected. The Dow Jones Industrial Average slipped 0.5% d/d, while Nasdaq Composite recouped earlier losses to close 0.6% d/d higher. Equity indices had dipped earlier in the morning after Richmond Fed President Thomas Barking said that the central bank has to do more to fight inflation. Dallas Fed President Lorie Logan added that rate increases could last for a longer period of time than previously anticipated. In Europe, both the Stoxx 600 and FTSE 100 indices edged up by 0.1% d/d each. Stocks closed mixed in Asia. Nikkei 225 closed up 0.6% d/d, while Hang Seng closed 0.2% d/d lower.

- Short-term Treasury yields rose to the highest levels this year, with swap traders boosting chances of a 25bps June rate hike to about 50%. The 2-year Treasury yield closed up 10bps to 4.62%. The 10-year Treasury yield, meanwhile, added a smaller 4bps to 3.74%.

- Dollar Index swung post-CPI data but closed the day will small losses at -0.1% d/d. EUR strengthened 0.1% d/d, while GBP climbed 0.3% d/d after data earlier showed that UK wages rose more than expected. JPY depreciated 0.6% d/d following the formal nomination of Kazuo Ueda as the next BOJ governor and traders are wagering on further tweaks to yield curve control sooner rather than later. SGD closed the day flattish at 1.3284, while MYR strengthened 0.3% d/d to 4.3472.

- Oil fell for a second day by 1.2%-1.4% d/d after the Biden administration's announcement earlier that the US was selling more crude from its strategic reserves as well as on the back of the still elevated inflation data. Price of gold, meanwhile, inched up by 0.1% d/d.

US Inflation eased less than expected

- In January, both the headline and core inflation decelerated less than expected to the lowest since 2021. Headline inflation rose 0.5% m/m in January (Dec: +0.1% m/m), the most in 3 months, while annual inflation came in at +6.4% y/y (Dec: +6.5% y/y). More importantly, core inflation inched up 0.4% m/m (Dec: +0.4% m/m) and eased to +5.6% y/y (Dec: +5.7% y/y). On a m/m basis, shelter was by far the largest contributor to services and headline inflation. Food, gasoline, and natural gas also contributed to price growth.
- Separate report from the BLS showed that real average earnings were mixed. While hourly earnings contracted by 1.8% y/y (Dec: -1.6% y/) and -0.2% m/m (Dec: +0.3% m/m), average weekly earnings fell at a lesser pace 1.5% y/y (Dec: -2.7% y/y) and grew 0.7% m/m (Dec: No change).

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	34,089.27	-0.46
S&P 500	4,136.13	-0.03
NASDAQ	11,960.15	0.57
Stoxx Eur 600	462.40	0.08
FTSE 100	7,953.85	0.08
Nikkei 225	27,602.77	0.64
Hang Seng	21,113.76	-0.24
Straits Times	3,318.20	-0.20
KLCI 30	1,483.97	0.60
FX		
Dollar Index	103.23	-0.11
EUR/USD	1.0738	0.14
GBP/USD	1.2173	0.28
USD/JPY	133.16	0.56
AUD/USD	0.6986	0.29
USD/CNH	6.8374	0.19
USD/MYR	4.3472	-0.34
USD/SGD	1.3284	-0.02
Commodities		
WTI ($/bbl)	79.06	-1.35
Brent ($/bbl)	85.58	-1.19
Gold ($/oz)	1,854.00	0.11
Copper ($$/MT)	8,946.50	0.10
Aluminum($/MT)	2,408.00	-0.19
CPO (RM/tonne)	3,894.50	0.28

Source: Bloomberg, HLBB Global Markets Research

- The NFIB Small Business Optimism Index rose less than expected to 90.3 in January (Dec: 89.8), remaining below the 49-year average of 98.0. Down 6 points m/m, 26% of owners reported inflation was their single most important problem in operating their business. Owners expecting better business conditions over the next six months improved 6 points m/m to a net -45%.

Eurozone's 4Q GDP grew 0.1% q/q; employment rose 0.4% q/q

- Eurozone employment surged more than expected to a new record high in 4Q of 2022 as a surprisingly resilient economy avoided a recession, pointing to greater underlying inflation pressures that could keep interest rates high for longer. Employment expanded by 0.4% q/q (3Q: 0.3% q/q), but slowed on a y/y basis to +1.5% (3Q: +1.8% y/y). Separate data, meanwhile, showed that the economic bloc expanded 0.1% q/q and 1.9% y/y for the same quarter, in line with its preliminary estimate.

UK unemployment rate held steady at 3.7%; wage growth accelerated to +6.7% y/y

- UK wages, as measured by weekly earnings ex-bonus, rose quicker than expected by +6.7% y/y for the three months ended December (Nov: +6.5% y/y). Excluding the pandemic period, this is the fastest pace since record began in 2001. Data also showed that the economy kept adding jobs at a healthy pace of 74k (Nov: +27k), effectively giving BOE ammunition to deliver another rate hike next month. Unemployment rate meanwhile, held steady at 3.7% in the three months to December, as per expectations.

Australia's Business confidence jumped to +18

- NAB's Business conditions picked up by 5 points to +18 in January (Dec: +13), after three months of softening in late 2022. There were strong increases in conditions for upstream sectors such as wholesale, construction and manufacturing. More importantly, conditions in the consumer-facing industries remained very strong. In tandem with this, business confidence also rose 6pts to +6, around its long-run average.

Japan's growth missed estimate at +0.6%

- Japan's economy rebounded less than forecast in 4Q at +0.6% q/q (3Q: -1.0% q/q), a sign the country was finally making a delayed recovery. Nevertheless, global economic slowdown may be taking a toll on the country's export-reliant recovery. While consumer spending recovered, helped by domestic travel spending, businesses cut back on their spending more than expected and inventories dragged heavily on GDP. Net exports also came below expectations, adding only 0.3ppts to GDP (3Q: -0.6ppts). Separately, Japan's IPI was revised upwards up to +0.3% m/m in December (Nov: +0.2% m/m).

Singapore expects budget deficit to narrow to 0.1% FY 2023

- Singapore expects to post a slimmer budget deficit of 0.3% of GDP for FY2022 (Initial projection: 0.5%) and expects this to narrow to -0.1% of GDP in FY 2023. In his budget speech, Deputy Prime Minister and Finance Minister Lawrence Wong also added that the Government will not need to draw on past reserves in 2023's Budget as things return to normal.
- Some key highlights include: 1) Higher top-end taxes for properties and cars were among progressive moves in the Budget. This is in line with the Government's focus on strengthening the social compact and bolstering national resilience. 2) An additional S$3bn to help households tide through the

increasing cost of living as well as the recent GST hike. 3) Raising the effective tax rate for multinational firms to 15% starting 2025, in line with a global agreement to increase the floor rate.

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	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
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
16-Feb	JN Trade Balance (Jan)	-¥1448.5b
	JN Exports YoY (Jan)	11.50%
	JN Imports YoY (Jan)	20.60%
	JN Core Machine Orders MoM (Dec)	-8.30%
	AU Consumer Inflation Expectation (Feb)	5.60%
	AU Unemployment Rate (Jan)	3.50%
	CH New Home Prices MoM (Jan)	-0.25%
	HK Unemployment Rate SA (Jan)	3.50%
	EC ECB Publishes Economic Bulletin	
	US Building Permits MoM (Jan)	-1.60%
	US New York Fed Services Business Activity (Feb)	-21.4
	US Initial Jobless Claims	196k
	US Housing Starts MoM (Jan)	-1.40%
	US Continuing Claims	1688k
	US Philadelphia Fed Business Outlook (Feb)	-8.9
	US PPI Final Demand MoM (Jan)	-0.50%

Source: Bloomberg

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