

15 March 2023

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

## 15 March: Wall Street shock off market jitters

**Moody's downgraded US banking system outlook to negative; six lenders on review**

**UST yield curve shifted higher; DXY closed flat at 103.60**

**US core CPI topped estimate at +0.5%; UK unemployment rate steady at 3.7%**

- Wall Street rallied into the close as investors wagered the risk of contagion has been contained. The Dow Jones Industrial Average edged up 1.1% d/d, snapping a 5-day losing streak. The S&P 500 added 1.7% d/d while Nasdaq Composite climbed 2.1% d/d. Moody's Investors Service cut its view on the entire US banking system outlook to "negative" from "stable" citing a substantial decline in depositor confidence. The cut in outlook came as Moody's placed 6 lenders on review for downgrade.

Stoxx 600 and FTSE 100 also closed Tuesday higher by 1.5% d/d and 1.2% d/d as banking stocks staged a partial recovery from Monday's sell-off. Bucking the trend is Asia markets which saw Nikkei 225 and Hang Seng dipping 2.2%-2.3% d/d each.

- Short-term Treasuries led losses across the curve, partly unwinding Monday's epic rally. The 2-year Treasury yield climbed 27bps to 4.25% after inflation remained elevated while the 10-year also moved up by 12bps to 3.69%.
- The Dollar Index closed flat at 103.60 after the fairly strong reading of US CPI. EUR gained less than 0.1% d/d, but GBP weakened 0.2% d/d. Safe-haven JPY also weakened by +0.8% d/d, while CNH depreciated by 0.4% d/d. In contrast, MYR and SGD strengthened 0.2% and 0.1% d/d respectively to 4.4870 and 1.3451.
- Oil prices nosedived to a 3-month low on ample crude supply balances and growing unease over the US economy trajectory. OPEC said that it sees a modest surplus next quarter during a seasonal lull in demand. Brent fell 4.1% d/d, while the West Texas Intermediate lost 4.6% d/d. Gold snapped its 4 straight days of advances, dipping 0.3% d/d after core inflation topped estimates.

**US core consumer prices topped estimate at +0.5% m/m, softened to 5.5% y/y**

- US headline consumer price (CPI) matched consensus to grow by 0.4% m/m in February (Jan: +0.5% m/m) but core prices topped estimates at +0.5% m/m (Jan: +0.4% m/m). On a y/y basis, prices softened to +6.0% (Jan: +6.4%) for headline and 5.5% (Jan: 5.6%) for core. Similar to previous months, elevated housing rents continued to drive services inflation and the robust core CPI showed that inflation is not going away fast enough. As it is, we expect the Fed to raise rates by 25bps in the next FOMC meeting but expectations of dial-back

**Key Market Metrics**

	Level	d/d (%)
<b>Equities</b>		
Dow Jones	32,155.40	1.06
S&P 500	3,919.29	1.65
NASDAQ	11,428.15	2.14
Stoxx Eur 600	449.56	1.53
FTSE 100	7,637.11	1.17
Nikkei 225	27,222.04	-2.19
Hang Seng	19,247.96	-2.27
Straits Times	3,129.75	-0.08
KLCI 30	1,393.83	-1.97
<b>FX</b>		
Dollar Index	103.60	0.00
EUR/USD	1.0733	0.02
GBP/USD	1.2158	-0.21
USD/JPY	134.22	0.76
AUD/USD	0.6682	0.21
USD/CNH	6.8798	0.41
USD/MYR	4.4870	-0.22
USD/SGD	1.3451	-0.08
<b>Commodities</b>		
WTI (\$/bbl)	71.33	-4.64
Brent (\$/bbl)	77.45	-4.11
Gold (\$/oz)	1,910.90	-0.29
Copper (\$\$/MT)	8,833.50	-1.09
Aluminum(\$/MT)	2,352.50	0.81
CPO (RM/tonne)	4,198.00	-1.25

Source: Bloomberg, HLBB Global Markets Research

in Fed tightening policies is prevalent. Real average earnings, meanwhile, fell at a slower pace of 1.3% y/y in February (Jan: -1.9% y/y).

- The NFIB Small Business Optimism Index unexpectedly rose to 90.9 in February (Jan: 90.3) but remained below the 49-year average of 98.0. Key findings include owners reporting job openings that were hard to fill, remained historically very high. The net percent of owners raising average selling prices decreased while owners who expect real sales to be higher improved.

#### **UK hiring picked up, unemployment rate stable but wage growth softened**

- The number of employees on payrolls rose more than expected by 98k in February (Jan: +42k), showing that the pace of hiring remained strong. Consequently, the unemployment rate remained stable but better than expected at 3.7% in January. Wages growth, on the other hand, decelerated as per expectations, to +5.7% y/y for the 3-months ending Jan (Dec: +6.0% y/y).

#### **Australia's business conditions still strong**

- Australia's NAB Business Conditions Index edged down to 17 in February (Jan: 18), still a very strong level in the history of the survey. Trading conditions and employment were steady while profitability fell 4pts to +14. Consumer-facing sectors like retail and personal services are reporting conditions clustered around +20 index points, while business-facing sectors are clustered around a level of +10, which is also fairly strong.

#### **Hong Kong IPI dipped 0.1%, PPI turnaround to register 0.4% contraction**

- The contraction in Hong Kong's index of industrial production (IPI) decelerated to -0.1% y/y in 4Q (3Q: -0.5% y/y). Contractions were observed in the textiles and wearing apparel industry; paper products, printing and reproduction of recorded media industry; metal, computer, electronic and optical products, machinery and equipment industry as well as food, beverages and tobacco industry. Producer prices, meanwhile, turnaround to fall 0.4% y/y (3Q: +0.4% y/y), led by metal, computer, electronic and optical products, machinery and equipment industry.

### **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
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	
	16-March	JN Trade Balance (Feb)
JN Exports YoY (Feb)		3.50%
JN Imports YoY (Feb)		17.80%
JN Core Machine Orders MoM (Jan)		1.60%
AU Consumer Inflation Expectation (Mar)		5.10%
AU Employment Change (Feb)		-11.5k
AU Unemployment Rate (Feb)		3.70%
CH New Home Prices MoM (Feb)		0.00%
JN Industrial Production MoM (Jan F)		-4.60%
JN Capacity Utilization MoM (Jan)		-1.10%
HK Unemployment Rate SA (Feb)		3.40%
US Initial Jobless Claims		211k
US Import Price Index MoM (Feb)		-0.20%
US Export Price Index MoM (Feb)		0.80%
US Continuing Claims		1718k
US Housing Starts MoM (Feb)		-4.50%
US Building Permits MoM (Feb)		0.10%
US Philadelphia Fed Business Outlook (Mar)		-24.3
US New York Fed Services Business Activity (Mar)		-12.8
EC ECB Main Refinancing Rate		3.00%

Source: Bloomberg

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