

15 May 2023

## Global Markets Research

### Daily Market Highlights

# 15 May: Weak consumer sentiment dented markets

**US long run inflation expectations highest since 2011; pushing up UST yields and DXY**

**UK 1Q GDP grew 0.1% q/q as expected; Hong Kong GDP surprised on the upside**

**More moderate but decent 1Q GDP growth of +5.6% y/y for Malaysia**

- Wall Street saw a pullback last Friday as weaker than-expected University of Michigan's consumer sentiment index dented investor sentiment. The S&P 500 slipped 0.2% d/d, Dow Jones Industrial Average closed just below the flatline while Nasdaq Composite lost 0.4% d/d. Concerns over regional banks continued to linger, with PacWest shares under pressure yet again, falling 2.9% d/d. The standoff over the lifting of the debt ceiling also casted doubts over the markets, after the scheduled meeting between President Biden and congressional leaders was postponed.
- European stock markets closed higher, with Stoxx 600 up 0.4% d/d and FTSE 100 gaining 0.3% d/d respectively. France's Societe Generale beat 1Q earnings, climbing as much as 1.2% d/d, while Germany's Allianz missed expectations, but posted a 329% profit boost, sending shares up 0.4% d/d. Shares of Swiss luxury goods group Richemont closed 3.5% d/d higher after it recorded its highest ever sales. Asian markets closed mixed, with Nikkei 225 up 0.9% d/d while Hang Seng dropped 0.6% d/d.
- UST yields edged higher led by the front end following the stronger inflationary expectations from the University of Michigan's consumer survey. The 2Y gained 9bps to 3.99%, while the 10Y rose 8bps to 3.46%. The 10Y European bonds yield also closed higher between 1-7 bps
- Still hot inflationary expectations also sent DXY firming up to 102.71 in intraday trading, its highest since March 28. DXY, nevertheless, nevertheless retreated slightly to 102.68 at close, or up 0.6% d/d. GBP weakened 0.4% d/d, while EUR depreciated 0.6% d/d. Over in Asia, JPY and CNH weakened 0.9% d/d and 0.2% d/d respectively, while SGD depreciated 0.5% d/d to 1.3383. MYR closed the day 0.4% d/ weaker at 4.4800, as rally stemming from the better-than expected 1Q GDP proved momentarily and failed to sustain.
- Persistent demand concerns continued to weigh on oil prices, sending the West Texas Intermediate and Brent sliding 1.2% d/d and 1.1% respectively. Price of gold held steady despite the firmer Dollar, trading just below the flatline at \$2019.80/oz.

**US: University of Michigan's consumer sentiment tumbled; long-run inflationary expectations accelerated to the highest since 2011**

- The University of Michigan's consumer sentiment tumbled more than expected to 57.7 in May (Apr: 63.5) on renewed concerns about the trajectory of the economy and erasing over half of the gains since June 2022. While the

#### Key Market Metrics

	Level	d/d (%)
<b>Equities</b>		
Dow Jones	33,300.62	-0.03
S&P 500	4,124.08	-0.16
NASDAQ	12,284.74	-0.36
Stoxx Eur 600	465.49	0.40
FTSE 100	7,754.62	0.31
Nikkei 225	29,388.30	0.90
Hang Seng	19,627.24	-0.59
Straits Times	3,208.55	-0.65
KLCI 30	1,422.92	-0.16
<b>FX</b>		
Dollar Index	102.68	0.61
EUR/USD	1.0849	-0.61
GBP/USD	1.2458	-0.42
USD/JPY	135.70	0.87
AUD/USD	0.6646	-0.84
USD/CNH	6.9711	0.17
USD/MYR	4.4800	0.36
USD/SGD	1.3383	0.50
<b>Commodities</b>		
WTI (\$/bbl)	70.04	-1.17
Brent (\$/bbl)	74.17	-1.08
Gold (\$/oz)	2,019.80	-0.03
Copper (\$\$/MT)	8,253.00	1.10
Aluminum(\$/MT)	2,231.50	0.93
CPO (RM/tonne)	3,856.50	-3.47

Source: Bloomberg, HLBB Global Markets Research

current economic data show no sign of recession, consumers were worried that the economic downturn will not be brief and sentiment was dampened further by the proliferation of negative news, including the debt crisis standoff. While year-ahead inflation expectations receded slightly to 4.5% during the month (Apr: 4.6%), long-run inflation expectations unexpectedly accelerated to its highest reading since 2011 at +3.2% (Apr: 3.0%).

- Meanwhile, import prices, a sign of imported inflation, rebounded more than expected to +0.4% m/m in April (March: -0.8% m/m). This marked the first gain since December, led by higher commodity prices during the month. However, on a y/y basis, prices remained stable and in deflationary trend (-4.8% y/y).

#### **UK economy contracted 0.3% in March, grew 0.1% in 1Q**

- The UK economy unexpectedly contracted 0.3% m/m in March (Feb: 0.0%) driven by a -0.5% m/m fall in the services sector, especially for wholesale and retail trade. Nevertheless, January's GDP growth was revised upwards and as such, the GDP growth for the whole of 1Q matched expectations to grow by 0.1% q/q (4Q: +0.1% q/q), reaffirming expectations that the economy will dodge a recession in 1H. 1Q GDP reflected strong growth in investment and marginal gains in private consumption, while government consumption plunged 2.5% q/q due to industrial strikes.

#### **HK GDP grew by 2.7% in 1Q, ending 4 quarters of contractions on robust consumer spending**

- Hong Kong's GDP rebounded more than expected to +2.7% y/y in 1Q (4Q: -4.1% y/y), ending four consecutive quarters of declines. Private consumption was the biggest contributor to growth, surging by 13.0% y/y (4Q: +1.7% y/y), while exports continued to decline, mainly due to goods. Exports of services, on the other hand, rose significantly by 20.4% y/y (4Q: +1.2% y/y) due to revival of tourism activities.

#### **Malaysia: More moderate 1Q GDP growth of +5.6% y/y underpinned by domestic demand**

- Growth in the Malaysian economy continued to normalize, expanding at a more moderate but still decent pace of 5.6% y/y in 1Q23 (4Q22: +7.1% y/y revised), in line with our expectations but higher than consensus estimate (+5.1% y/y). Little changed from the preceding quarter, growth in the first quarter of 2023 was underpinned by domestic demand, primarily private consumption, with the spike in net exports provided a further boost. On a seasonally adjusted basis, growth rebounded to print a 0.9% q/q increase (4Q: -1.7% q/q). Meanwhile, the relatively steady growth traction seen in the monthly GDP alleviated some concerns over sharp deterioration in domestic economic activities thus far as the global backdrop
- Moving forward, the Malaysian economy is still expected to chart decent growth, likely within the official forecast range of 4.0-5.0% in 2023, supported by favourable domestic demand as a result of continuous improvement in the labour market, implementation of new and existing investment projects, as well as further recovery in tourism activities. That said, we are trimming our full year GDP growth forecast to 4.0% (prior: +4.9%), in view of increasing uncertainties and more sluggish than expected growth momentum in the world economy, including China. While there is still room for a further 25bps OPR hike to more neutral level, we opine moderating growth and inflation

outlook would mean OPR will be left unchanged at 3.00% for the rest of the year, and probably through 2024.

#### 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	1.24-1.26	1.24	1.25	1.24	1.24
USD/JPY	133-136	131	130	128	128
AUD/USD	0.67-0.69	0.68	0.68	0.69	0.70
USD/MYR	4.45-4.50	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	5.00-5.25	5.00-5.25	5.00-5.25	5.00-5.25	5.00-5.25
ECB	3.75	4.00	4.00	4.00	4.00
BOE	4.50	4.75	4.75	4.75	4.75
BOJ	-0.10	-0.10	-0.10	-0.10	-0.10
RBA	3.85	3.85	3.85	3.85	3.85
BNM	3.00	3.00	3.00	3.00	3.00

Source: HLBB Global Markets Research

#### Up Next

Date	Events	Prior
15-May	JN PPI YoY (Apr)	7.20%
	CH 1-Yr Medium-Term Lending Facility Rate	2.75%
	EC Industrial Production SA MoM (Mar)	1.50%
	EC EU Commission Economic Forecasts	
	US Empire Manufacturing (May)	10.8
16-May	AU RBA Minutes of May Policy Meeting	
	CH Industrial Production YTD YoY (Apr)	3.00%
	CH Retail Sales YTD YoY (Apr)	5.80%
	CH Fixed Assets Ex Rural YTD YoY (Apr)	5.10%
	CH Surveyed Jobless Rate (Apr)	5.30%
	UK Average Weekly Earnings 3M/YoY (Mar)	5.90%
	UK ILO Unemployment Rate 3Mths (Mar)	3.80%
	UK Employment Change 3M/3M (Mar)	169k
	EC ZEW Survey Expectations (May)	6.4
	EC GDP SA QoQ (1Q P)	0.10%
	EC Trade Balance SA (Mar)	-0.1b
	EC Employment QoQ (1Q P)	0.30%
	US Retail Sales Advance MoM (Apr)	-1.00%
	US New York Fed Services Business Activity (May)	-9.8
	US Industrial Production MoM (Apr)	0.40%
	US Capacity Utilization (Apr)	79.80%
	US Business Inventories (Mar)	0.20%
	US NAHB Housing Market Index (May)	45

Source: Bloomberg

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