

15 June 2023

Global Markets Research

Daily Market Highlights

15 June: Mixed markets amid hawkish Fed pause

The Fed paused as expected; but dot plot guided for higher terminal rate at 5.75%

Upgrades in growth and core PCE a sign of growth confidence and protracted inflation

Wall Street closed mixed; 2Y UST yields gained; DXY retreated

- S&P 500 finished flattish after the Federal Reserve paused its rate-hiking campaign but signalled that it would hike another 50bps later this year. S&P 500 eked out a narrow gain of 0.1% d/d after spending the morning in green before gyrating after Fed's decision. The index, however, pared its loss after Fed Chair Jerome Powell said that inflation is in the process of moderating at the press conference. The Dow Jones Industrial Average dipped 0.7% d/d, while Nasdaq Composite added 0.4% d/d. Of note, insurance shares took a beating, as UnitedHealth executives warned of rising healthcare costs. Shares of UnitedHealth closed down 6.4% d/d.
- In Europe, Stoxx 600 ended 0.4% d/d higher, while FTSE 100 gained 0.1%, aided by an uptick in shares of Shell after the oil giant announced plans to hike its dividend. In Japan, Nikkei 225 popped 1.5% d/d, after shares of Toyota rose with the reappointment of Akio Toyoda as its chairman. Hang Seng, meanwhile, fell 0.6% d/d.
- The 2Y UST, strongly influenced by Fed's policy expectations, held steady and closed 2bps higher at 4.69% after touching its session high of 4.80%. The 10Y fell 3bps to 3.79%. The 10Y European bonds yield closed mixed, between -4 to +7bps.
- DXY slid 0.4% d/d to close at 102.95, but edged higher from its 4-week low of 102.66. GBP gained 0.4% d/d, while EUR strengthened 0.3% d/d. In Asia, JPY appreciated slightly by 0.1% d/d, while CNH closed flat. SGD appreciated by 0.1% d/d to close at 1.3413, but MYR weakened 0.2% d/d to 4.6217.
- Oil prices dropped between 1.4%-1.7% d/d on concerns that further Fed rate hikes could hurt energy demand as well as on surging US stockpiles to 7.9m barrels last week. Gold pared gains after Fed signalled more rate hikes, but still closed 0.6% d/d higher.

The Fed paused; expects another 50bps rate hike in 2023

- In its latest FOMC meeting, the committee members of the Federal Reserve unanimously voted to maintain the target range for the fed funds rate at 5.00%- 5.25%. Key highlights from the statement include: 1) Upward revision to its median forecast for the year-end 2023 fed funds rate by 50bps to 5.60%. 2) Explanation on why the Fed skipped a hike, the statement said that "Holding the target range steady at this meeting allows the Committee to assess additional information and its implications for monetary policy." 3) Latest economic projections - the US economy is expected to grow by 1.0% in

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	33,979.33	-0.68
S&P 500	4,372.59	0.08
NASDAQ	13,626.48	0.39
Stoxx Eur 600	464.94	0.36
FTSE 100	7,602.74	0.10
Nikkei 225	33,502.42	1.47
Hang Seng	19,408.42	-0.58
Straits Times	3,218.14	0.90
KLCI 30	1,385.42	0.35
FX		
Dollar Index	102.95	-0.38
EUR/USD	1.0830	0.34
GBP/USD	1.2664	0.41
USD/JPY	140.09	-0.09
AUD/USD	0.6796	0.43
USD/CNH	7.1740	-0.01
USD/MYR	4.6217	0.15
USD/SGD	1.3413	-0.07
Commodities		
WTI (\$/bbl)	68.27	-1.66
Brent (\$/bbl)	73.20	-1.47
Gold (\$/oz)	1,955.30	0.55
Copper (\$\$/MT)	8,509.00	0.58
Aluminum(\$/MT)	2,253.50	0.96
CPO (RM/tonne)	3,411.50	1.64

Source: Bloomberg, HLBB Global Markets Research

2023 and 1.1% in 2024 (Prior projection in March: +0.4% and +1.2%). Unemployment rate is projected at 4.1% for 2023 and 4.5% for 2024 (Prior: 4.5% and 4.6%). Core PCE inflation is projected at 3.9% in 2023 and 2.6% in 2024 (Prior: 3.6% and 2.6%).

- Mortgage applications rose for the first time since May at +7.2% w/w for the week ended June 9 (June 2: -1.4% m/m). Growth was supported by a second-week retreat in the 30-year mortgage rates to 6.77%, while low for-sale inventory continued to constrain home buying activities.
- US producer prices (PPI) decelerated more than forecast to 1.1% y/y in May (Apr: +2.3% m/m), the smallest increase in nearly 2.5 years. On a m/m basis, prices contracted by 0.3% m/m (Apr: +0.2% m/m), largely driven by a 13.8% m/m plunge in prices for gasoline. Stripping the volatile food and energy, prices held steady at +0.2% m/m. Services prices also inched up 0.2% m/m (Apr: +0.3% m/m), reflecting higher margins at auto dealers.

Eurozone's IPI gained on capital goods

- Eurozone's industrial production rebounded more than expected by 1.0% m/m in April (March: -3.8% m/m), as a 14.7% m/m surge in the output of capital goods offset the fall in production of consumer goods. The upswing of production was the strongest in Ireland, at +21.5% m/m.

UK's economy returned to growth in April

- Matching expectations, UK GDP rebounded to grow by 0.2% m/m in April (March: -0.3% m/m). The services sector was the main contributor to the growth, driven by wholesale and retail trade, repair of motor vehicles and motorcycles industry. Output in consumer-facing services also accelerated on food and beverages, but the manufacturing and construction sectors shrank. The former was weighed down by the pharmaceuticals as well as computer, electrical and optical products.

New Zealand's economy entered technical recession

- Matching expectations, New Zealand's GDP fell 0.1% q/q in 1Q (4Q: -0.7% q/q), marking a technical recession for the economy. The contraction was driven by production declines in business services, which fell 3.5%, and transport, postal and warehousing, which was down 2.2%. During the quarter, New Zealand also saw the "initial impacts" of Cyclones Hale and Gabrielle as well as teachers' strikes. On a y/y basis, GDP was nonetheless only a shade softer at +2.2% (4Q: +2.3%).

Japan's machinery order rebounded; exports slowed while imports contracted

- In Japan, machinery orders rebounded more than expected by +5.5% m/m in April (March: -3.9% m/m) driven by a double-digit turnaround in the non-manufacturing sector. Orders from the manufacturing sector worsened and remained contractionary at -3.0% m/m as demand from the housing-related, metal as well as electronics industries remained weak.
- Exports slowed less than forecast to +0.6% y/y in May (Apr: +2.6% y/y), marking its third month of deceleration amidst a global economic slowdown, while imports worsened, albeit at a slower than anticipated pace to -9.9% y/y (Apr: -2.3% y/y). The latter marked the second consecutive month of contraction, while the former was in line with weakness in global semiconductors sales which outweighed increased auto shipments due to easing parts shortages.

House View and Forecasts

FX	This Week	2Q-23	3Q-23	4Q-23	1Q-24
DXY	102-105	100.97	99.96	97.96	96.98
EUR/USD	1.06-1.09	1.10	1.11	1.12	1.13
GBP/USD	1.24-1.27	1.24	1.25	1.24	1.24
USD/JPY	138-141	131	130	128	128
AUD/USD	0.65-0.68	0.68	0.68	0.69	0.70
USD/MYR	4.58-4.68	4.39	4.35	4.31	4.28
USD/SGD	1.33-1.36	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	4.10	4.10	4.10	4.10	4.10
BNM	3.00	3.00	3.00	3.00	3.00

Source: HLBB Global Markets Research

Up Next

Date	Events	Prior
15-June	AU Consumer Inflation Expectation (Jun)	5.20%
	CH 1-Yr Medium-Term Lending Facility Rate	2.75%
	CH New Home Prices MoM (May)	0.32%
	AU Full Time Employment Change (May)	-27.1k
	AU Unemployment Rate (May)	3.70%
	CH Industrial Production YTD YoY (May)	3.60%
	CH Retail Sales YTD YoY (May)	8.50%
	CH Fixed Assets Ex Rural YTD YoY (May)	4.70%
	CH Property Investment YTD YoY (May)	-6.20%
	CH Surveyed Jobless Rate (May)	5.20%
	HK PPI YoY (1Q)	-0.40%
	HK Industrial Production YoY (1Q)	-0.10%
	EC Trade Balance NSA (Apr)	25.6b
	EC ECB Main Refinancing Rate	3.75%
	US Retail Sales Advance MoM (May)	0.40%
	US Import Price Index YoY (May)	-4.80%
	US Export Price Index YoY (May)	-5.90%
	US Initial Jobless Claims	261k
	US Continuing Claims	1757k
	US Empire Manufacturing (Jun)	-31.8
	US Philadelphia Fed Business Outlook (Jun)	-10.4
	US Industrial Production MoM (May)	0.50%
	US Capacity Utilization (May)	79.70%
	US Business Inventories (Apr)	-0.10%
16-June	SI Non-oil Domestic Exports YoY (May)	-9.80%
	UK BoE/Ipsos Inflation Next 12 Mths (May)	3.90%
	EC CPI Core YoY (May F)	5.30%
	EC Labour Costs YoY (1Q)	5.70%
	US New York Fed Services Business Activity (Jun)	-16.8
	US U. of Mich. Sentiment (Jun P)	59.2
	US U. of Mich. 1 Yr Inflation (Jun P)	4.20%
	US U. of Mich. 5-10 Yr Inflation (Jun P)	3.10%
	JN BOJ Policy Balance Rate	-0.10%

Source: Bloomberg

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