

16 January 2023

Global Markets Research
Daily Market Highlights

16 Jan: US stocks fought their way into the green

Investors shrugged off bank warnings; consumer sentiment improved
UK may skirt technical recession with a 0.1% growth in November
China's exports and imports saw extended declines in December

- Stocks rose Friday as investors digested bank earnings and bet inflation would ease in 2023. Bank earnings weighed on equities to start the day, but sentiment reversed as investors appeared to shrug off this negative news. The Dow Jones Industrial Average rose 0.3% d/d, the S&P 500 gained 0.4% d/d and the Nasdaq Composite advanced 0.7% d/d. Wells Fargo, whose profits for the last quarter had been cut by half, said it is preparing for the economy to “get worse than it’s been over the last few quarters.” JPMorgan Chase posted revenue that beat expectations, but warned that it is setting aside more money to cover credit losses.
- European markets also closed higher, building on gains from the previous session. Stoxx 600 and FTSE 100 closed up 0.5% d/d and 0.6% d/d each. Shares in Asia-Pacific were also mostly higher, though Japan’s Nikkei 225 slumped 1.3% d/d. Hang Seng advanced 1.0% d/d.
- Treasury bill yields rose across the curve after Secretary Janet Yellen informed Congress that the department will begin taking special acting measures on Jan 19 to avoid breaching the US debt limit. Once these measures take effect, Treasury will have more room to issue additional bills. The yield for the 2-year note rose 9bps to 4.23% while the yield for the 10-year bill rose 6bps to 3.50%
- Dollar Index slipped marginally by less than 0.1% to close at 102.20. While EUR weakened by 0.2% d/d against USD amidst profit taking, GBP appreciated 0.1% d/d. Over in Asia, JPY jumped 1.1% d/d to 127.87, while CNH appreciated at a slightly milder pace of 0.2% d/d. Both the MYR and SGD also appreciated by 0.6% d/d and 0.5% d/d respectively to 4.3348 and 1.3188.
- Boosted by Chinese crude buying, oil prices pushed higher with the WTI and Brent gaining 1.9% d/d and 1.5% d/d respectively. Prices of gold, meanwhile, also increased 1.2% d/d supported by USD weakness.

US Consumer sentiment increased more than forecast; 1-year inflation expectations eased

- The University of Michigan’s consumer sentiment improved more than forecast to 64.6 in Jan (Dec: 59.7). Sentiment was lifted by consumers’ assessment of their personal finances, with incomes rising and inflation easing. Year-ahead inflations expectations decelerated more than

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	34,302.61	0.33
S&P 500	3,999.09	0.40
NASDAQ	11,079.16	0.71
Stoxx Eur 600	452.54	0.52
FTSE 100	7,844.07	0.64
Nikkei 225	26,119.52	-1.25
Hang Seng	21,738.66	1.04
Straits Times	3,293.75	0.79
KLCI 30	1,495.03	0.43
FX		
Dollar Index	102.20	-0.04
EUR/USD	1.0830	-0.21
GBP/USD	1.2227	0.14
USD/JPY	127.87	-1.07
AUD/USD	0.6968	-0.01
USD/CNH	6.7139	-0.19
USD/MYR	4.3348	-0.56
USD/SGD	1.3188	-0.48
Commodities		
WTI (\$/bbl)	79.86	1.88
Brent (\$/bbl)	85.28	1.49
Gold (\$/oz)	1,921.70	1.21
Copper (\$\$/MT)	9,185.50	-0.02
Aluminum(\$/MT)	2,595.00	1.82
CPO (RM/tonne)	3,849.50	0.63

Source: Bloomberg, HLBB Global Markets Research

expected to 4.0% (Dec: +4.4%), but long run expectations unexpectedly accelerated to 3.0% (Dec: +2.9%).

Eurozone's IPI and trade data came above expectations

- Industrial output in the Eurozone rose more than expected at +1.0% m/m (Oct: -1.9% m/m), notably led by a 1.0% m/m increase in output of capital goods after no change previously. Separately, trade deficit narrowed more than economists had expected at EUR15.2bn (Oct: -EUR28.1bn) as exports were seen up +1.0% m/m (Oct: -0.5% m/m), while the contractions in imports worsened to -3.8% m/m (Oct: -3.3% m/m).

UK may skirt technical recession in 4Q with 0.1% m/m growth in Nov

- UK GDP unexpectedly grew 0.1% m/m in Nov (Oct: +0.5% m/m), reducing the likelihood that Britain entered a technical recession in 4Q of 2022. Specifically, output in consumer-facing services supported the economy, with the largest contribution coming from food and beverage service activities in a month where the FIFA World Cup started.
- In the manufacturing sector, output fell more than forecast at -0.5% m/m (Oct: +0.7% m/m), led by wood, paper & printing; chemicals, rubber & plastic; pharmaceuticals and electrical equipment.
- Trade deficit, meanwhile, widened more than expected to GBP15.6bn (Oct: -GBP12.3bn) as the contraction in exports worsened to -3.9% m/m (Oct: -0.7% m/m) while imports turnaround to grow by +3.5% m/m (Oct: -4.5% m/m).

China's exports and imports tumbled sharply in December

- China's exports shrank sharply in December as global demand cooled, while imports also tumbled as surging COVID-19 infections and a property downturn weighed heavily on domestic demand. Although exports contracted less than forecast at -9.9% y/y (Nov: -8.7% y/y), the drop was the worst since February 2020. Imports also fell less than street estimate at -7.5% y/y (Nov: -10.6% y/y). The customs administration has said that foreign trade will still face pressure in 2023 before the economic recovery solidifies.

House View and Forecasts

FX	This Week	1Q-23	2Q-23	3Q-23	4Q-23
DXY	101-106	98.00	96.04	96.04	96.04
EUR/USD	1.07-1.10	1.10	1.11	1.11	1.11
GBP/USD	1.19-1.25	1.26	1.27	1.27	1.27
USD/JPY	126-132	130	128	128	128
AUD/USD	0.67-0.71	0.70	0.72	0.72	0.72
USD/MYR	4.28-4.35	4.31	4.28	4.28	4.28
USD/SGD	1.31-1.34	1.32	1.30	1.30	1.30

Rates, %	Current	1Q-23	2Q-23	3Q-23	4Q-23
Fed	4.25-4.50	4.75-5.00	4.75-5.00	4.75-5.00	4.75-5.00
ECB	2.50	3.00	3.00	3.00	3.00
BOE	3.50	4.00	4.00	4.00	4.00
BOJ	-0.10	-0.10	-0.10	-0.10	-0.10
RBA	3.10	3.35	3.35	3.35	3.35
BNM	2.75	3.00	3.00	3.00	3.00

Source: HLBB Global Markets Research

Up Next

Date	Events	Prior
16-Dec	JN PPI MoM (Dec)	0.60%
	AU Melbourne Institute Inflation MoM (Dec)	1.00%
	CH 1-Yr Medium-Term Lending Facility Rate	2.75%
	CH New Home Prices MoM (Dec)	-0.25%
17-Dec	AU Westpac Consumer Conf Index (Jan)	80.3
	SI Non-oil Domestic Exports YoY (Dec)	-14.60%
	SI Electronic Exports YoY (Dec)	-20.20%
	CH Industrial Production YoY (Dec)	2.20%
	CH Retail Sales YoY (Dec)	-5.90%
	CH Fixed Assets Ex Rural YTD YoY (Dec)	5.30%
	CH Surveyed Jobless Rate (Dec)	5.70%
	CH GDP YoY (4Q)	3.90%
	UK Weekly Earnings ex Bonus 3M/YoY (Nov)	6.10%
	UK ILO Unemployment Rate 3Mths (Nov)	3.70%
	EC ZEW Survey Expectations (Jan)	-23.6

Source: Bloomberg

Hong Leong Bank Berhad

Fixed Income & Economic Research, Global Markets

Level 8, Hong Leong Tower

6, Jalan Damanela

Bukit Damansara

50490 Kuala Lumpur

Tel: 603-2081 1221

Fax: 603-2081 8936

HLMarkets@hlbb.hongleong.com.my

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