

Global Markets Research
Daily Market Highlights

16 Feb: Wall Street gained on strong US retail sales

US retail sales surprised on the upside at +3.0%; the biggest increase since March 2021

10-year UST yield touched 3.82%; DXY rose to a 6-week high in intraday trading

FTSE100 briefly breached 8k as UK CPI slowed more than expected to +10.1% y/y

- Wall Street closed higher after the US retail sales data came in above expectations and jumped the most in almost 2 years. S&P rose 0.3% d/d after dropping more than 0.7% earlier. Nasdaq rose 0.9% d/d, climbing for the 3rd straight day. Dow Jones edged up by 0.1% d/d. Cisco shares also rose as much as 10% after it gave an upbeat revenue projection, suggesting that spending on tech infrastructure will fare better than expected.
- In Europe, Stoxx 600 reversed the morning losses and closed up 0.4% d/d. FTSE 100 briefly breached the 8,000 points threshold, but retreated slightly to close the day 0.6% d/d up. Asian stocks bucked the trend, with Nikkei 225 and Hang Seng slipping 0.4% d/d and 1.4% d/d.
- Treasury yields advanced on Wednesday with the 10-year reaching its highest level of the year at 3.82%, though it finished at 3.80% (+6bps). This comes after the much stronger than retail sales data on top of the hot CPI had the market anticipating for a higher rate for a longer period of time. The 2-year also spiked to 4.70% but closed the day only 2bps higher at 4.63%.
- The Dollar Index rose to a 6-week high in intraday trading before closing the day 0.7% d/d higher at 103.92. EUR weakened 0.5% d/d, while GBP depreciated 1.2% d/d after British inflation cooled more than expected. In Asia, the JPY and CNH weakened by 0.8% d/d and 0.4% d/d respectively. Similarly, MYR and SGD also depreciated to close at 4.3923 (-1.0% d/d) and 1.3359 (-0.6% d/d).
- The West Texas Intermediate (WTI) erased some of the morning losses in a volatile session that was buffeted by a wave of supply and demand data. Still, WTI closed the day 0.6% d/d lower after dropping as much as 2% earlier following US data that showed crude inventories rose to the highest since summer of 2021. The International Energy Agency, meanwhile, boosted its forecast for global oil demand this year as China reopens its economy. Brent closed the day 0.2% d/d lower, while gold fell 1.1% % d/d to a 5-week low after the US inflation report spurred rate fears.

PBOC kept policy rates unchanged

- As per expectations, China's central bank kept its key policy rates unchanged, suggesting a hold on benchmark lending rates later this month. As it is, the People's Bank of China (PBOC) injected 499bn yuan of liquidity into the banking system (Prior: 779bn yuan) via its 1-year medium-term

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	34,128.05	0.11
S&P 500	4,147.60	0.28
NASDAQ	12,070.59	0.92
Stoxx Eur 600	464.36	0.42
FTSE 100	7,997.83	0.55
Nikkei 225	27,501.86	-0.37
Hang Seng	20,812.17	-1.43
Straits Times	3,280.82	-1.13
KLCI 30	1,488.19	0.28
FX		
Dollar Index	103.92	0.67
EUR/USD	1.0689	-0.46
GBP/USD	1.2030	-1.17
USD/JPY	134.16	0.75
AUD/USD	0.6903	-1.19
USD/CNH	6.8636	0.38
USD/MYR	4.3923	1.04
USD/SGD	1.3359	0.56
Commodities		
WTI (\$/bbl)	78.59	-0.59
Brent (\$/bbl)	85.38	-0.23
Gold (\$/oz)	1,834.20	-1.07
Copper (\$\$/MT)	8,857.50	-0.99
Aluminum(\$/MT)	2,384.50	-0.98
CPO (RM/tonne)	3,912.00	0.45

Source: Bloomberg, HLBB Global Markets Research

lending facility at an interest rate of 2.75%, which remained unchanged from the prior operation.

US retail sales jumped the most in nearly 2 years

- US retail sales beat expectations to increase the most since March 2021, gaining 3.0% m/m in January (Dec: -1.1% m/m). Even after excluding gasoline and auto, sales rose 2.6% m/m (Dec: -0.4% m/m), also the biggest jump in 2 years. Gains were broad-based, with a sharp rebound in department store sales. Sales of autos and discretionary goods were strong. A robust consumer demand effectively bolsters Fed's case to keep raising the policy rate.
- January's flat industrial production masked a rebound in the manufacturing output. Industrial output flat growth came in weaker than expected (Dec: -1.0% m/m), but largely reflected a drop in heating because of the warm weather. In tandem with this, capacity utilization dipped slightly to 78.3% (Dec: 78.4%), still below its long-term average. In contrast, manufacturing output jumped more than expected by +1.0% m/m (Dec: -1.8% m/m), the most since February 2022. Gains in manufacturing output were fairly broad, with increases seen in machinery, motor vehicles, electrical equipment, appliances and computers.
- In New York, business activity improved but remained contractionary. The February Empire State Manufacturing Survey improved more than expected to -5.8 (Jan: -32.9). New orders declined modestly, while employment levels declined for the first time since early in the pandemic. Both input and selling price increases picked up. Looking ahead, firms expect business conditions to improve somewhat over the next six month
- Mortgage rates increased across the board for the week ended Feb 10, with the 30-year fixed rate increasing by 21bps to 6.39%. Because of this, mortgage applications decreased 7.7% w/w (Feb 3: +7.4% w/w), the second time in 3 weeks. Purchase applications specifically, dropped to their lowest level since the beginning of this year and were more than 40% y/y lower.
- National Association of Home Builders (NAHB)/Wells Fargo Housing Market Index (HMI) rose more than expected to 42 in February (Jan: 35), spurred in part by easing mortgage rates. This marks two consecutive solid monthly gains for builder confidence and is the strongest reading since September 2022. While the HMI remained below the breakeven level of 50, this is a positive sign for the market even as builders continued to grapple with high construction costs and building material supply chain logjams.

Eurozone IPI fell more than expected

- Industrial production in the Eurozone fell more than expected by 1.1% m/m (Nov: +1.4% m/m) as contractions were observed in all industries save for energy. The production of intermediate goods dipped by 2.8% m/m, durable consumer goods fell 1.4% m/m, non-durable consumer goods by -1.0% m/m and capital goods by -0.4% m/m. The production of energy ticked up by 1.3% m/ m.
- Separately, trade deficit widened more than expected to €18.1bn (Nov: -€14.4bn) as the contraction in exports outpaced imports at -4.6% m/m and -2.9% m/m respectively (Dec: +1.0% m/m and -4.0% m/m)

UK CPI eased more than expected

- UK CPI eased more than expected to +10.1% y/y in Jan (Dec: +10.5% y/y). The 0.6% m/m decline in prices was led by lower transport costs, particularly

passenger transport and motor fuels, as well as restaurants and hotels. Fuel prices have also eased, helped by a warm winter in Europe.

- Separate data showed that producer prices (PPI) also eased with crude oil and petroleum products providing the largest downward contribution. PPI-output softened less than expected to +13.5% y/y (Dec: +14.6% y/y), while PPI-input moderated more than expected to +14.1% y/y (Dec: +16.2% y/y). As it is, price pressures remain elevated as such, there is no change in our call that the BOE will hike its policy rate by another 25bps to 4.25%.

Australia's consumer spending fell 6.9% m/m post-Christmas

- The CommBank Household Spending Intentions (HSI) Index for January fell 6.9% m/m (Dec: +0.3% m/m) led by normal seasonal declines in retail and entertainment spending post-Christmas and with signs of slowing activity following recent interest rate increases. The first "normal" summer break since Covid, nevertheless, supported travel-related sectors.

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	4.34-4.40	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
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
17-Feb	US Philadelphia Fed Business Outlook (Feb)	-8.9
	US PPI Final Demand MoM (Jan)	-0.50%
	SI Non-oil Domestic Exports SA MoM (Jan)	-3.30%
	UK Retail Sales Inc Auto Fuel MoM (Jan)	-1.00%
	EC ECB Current Account SA (Dec)	13.6b
	US Import Price Index MoM (Jan)	0.40%
	US Export Price Index MoM (Jan)	-2.60%
US Leading Index (Jan)	-0.80%	

Source: Bloomberg

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