

16 March 2023

Global Markets Research
Daily Market Highlights

16 March: Markets continued rattling as banking crisis spreads

Credit Suisse admitted reporting weakness; SNB would provide liquidity if necessary

PBoC maintained lending rates at 2.75%; will keep liquidity ample to meet cash demand

US PPI unexpectedly fell; UK is expected to avoid a technical recession in 2023

- The Dow Jones Industrial Average fell as concerns over a banking crisis spreading to Europe pressured the broader market. Dow ended 280 points or 0.9% d/d lower, the S&P 500 dropped 0.7%, while the Nasdaq Composite eked out a small gain of 0.1% d/d. The Dow slid more than 700 points at one point but regained some ground following an announcement from the Swiss regulator that the country's central bank would give Credit Suisse liquidity if necessary. The news came after the Swiss lender said earlier this week it had found "certain material weaknesses in our internal control over financial reporting." Stoxx 600 also closed 2.9% d/d lower, while FTSE100 lost a whopping 3.8% d/d. Credit Suisse plunged 24.2% d/d.
- Treasury yields fell as the plunge in Credit Suisse once again pressured bank shares, prompting a flight to traditionally safer bonds. The yield on the 10-year Treasury was down by 23bps to 3.46%. The 2-year Treasury yield slipped 36bps at 3.89%. European sovereign bond yields were also seen plunging by over 40bps on the front end and about 20bps on the 10Y tenured.
- The Dollar closed the day 1.0% d/d higher at 104.65, trimming some of its earlier gains after reaching the day high of 105.10 in safe-haven buying. EUR closed sharply lower by 1.5% d/d to \$1.0577, after dipping as much as 2.0% during the day. GBP also traded down 0.8% d/d. In Asia, JPY strengthened 0.6% d/d to 133.42, but CNH weakened 0.2% d/d. SGD weakened 0.5% d/d to 1.3520, but MYR strengthened slightly by less than 0.1% d/d to 4.4847.
- Oil prices fell sharply, with the West Texas Intermediate dipping 5.2% d/d to \$67.61/barrel and Brent down 4.9% d/d to \$73.69/barrel as traders feared a brewing banking crisis could dent global economic growth. Gold prices climbed 1.1% d/d as the crisis turned investors away from seemingly riskier assets and drove them to the safety of bullion.

China maintained lending rates at 2.75%; Jan-Feb data came in mixed

- As expected, the People's Bank of China (PBOC) kept the rate on 481bn yuan (Previous: 499bn yuan) worth of 1-year medium-term lending facility loans to some financial institutions at 2.75%. The central bank added that the loan operation was meant to keep banking system liquidity reasonably ample to fully meet cash demand from financial institutions.
- A string of mixed economic numbers was released. Retail sales matched expectations to increase by 3.5% y/y for the period Jan-Feb. Most categories within retail sales rose, but big-ticket items of autos and home appliances saw sales decline. Unemployment rate was worse than expected at 5.6% in

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	31,874.57	-0.87
S&P 500	3,891.93	-0.70
NASDAQ	11,434.05	0.05
Stoxx Eur 600	436.45	-2.92
FTSE 100	7,344.45	-3.83
Nikkei 225	27,229.48	0.03
Hang Seng	19,539.87	1.52
Straits Times	3,172.92	1.38
KLCI 30	1,403.93	0.72
FX		
Dollar Index	104.65	1.01
EUR/USD	1.0577	-1.45
GBP/USD	1.2057	-0.83
USD/JPY	133.42	-0.60
AUD/USD	0.6619	-0.94
USD/CNH	6.8925	0.18
USD/MYR	4.4847	-0.05
USD/SGD	1.3520	0.51
Commodities		
WTI (\$/bbl)	67.61	-5.22
Brent (\$/bbl)	73.69	-4.85
Gold (\$/oz)	1,931.30	1.07
Copper (\$\$/MT)	8,504.50	-3.72
Aluminum(\$/MT)	2,277.00	-3.21
CPO (RM/tonne)	4,161.00	-0.88

Source: Bloomberg, HLBB Global Markets Research

February. Similarly, industrial production was softer than expected at +2.4% y/y for the first two months of the year. Fixed asset investment topped expectations at +5.5% y/y, a sign that the government is boosting infrastructure spending as residential property investment remained in contractionary mode at -5.7% y/y.

US PPI unexpectedly declined 0.1% m/m; retail sales fell 0.4% m/m

- Producer price (PPI) posted an unexpected decline of 0.1% m/m in February (Jan: +0.3% m/m), pointing to an easing of cost pressures. On a y/y basis, prices came in softer than expected at +4.6% (Jan: +5.7%). The decline in PPI reflected decreases in goods (-0.2% m/m vs Jan: +1.2% m/m) and services (-0.1% m/m vs Jan: -0.1% m/m). 80% of the retreat in the former was attributable to a 36.1% plunge in chicken egg prices. Services prices, meanwhile, were restrained by machinery and vehicle wholesaling.
- Matching expectations, retail sales fell 0.4% m/m in February (Jan: +3.2% m/m), dragged down by a 1.8% m/m slide in auto sales. Nevertheless, stripping gasoline and autos, sales were also flat (Jan: +2.8% m/m), suggesting that spending may be impacted by high inflation. 8 of the 13 categories fell, led furniture and department stores, while sales at restaurants and bars dropped by the most in over a year.
- In the housing market, mortgage applications increased for the second consecutive week by +6.5% w/w for the week ending March 10 (March 3: +7.4% w/w) as the 30-year fixed rate fell to 6.71%, buoying housing demand. Nevertheless, the financial market volatility may cause buyers to pause their decisions. The National Association of Home Builders (NAHB)/Wells Fargo Housing Market Index (HMI) rose more than expected and for the third straight month to 44 in March (Feb: 42). Of note, builders continued to report strong pent-up demand as buyers wait for interest rates to drop and are turning more to the new home market due to a shortage of existing inventory.
- In the manufacturing sector, March's Empire State Manufacturing Survey worsened more than expected at -24.6 (Feb: -5.8). The big drop came from significant decreases in new orders and shipments as well as inventories. Hiring edged lower as did the prices index. Separately, business inventories unexpectedly dipped 0.1% m/m in Jan (Dec: +0.3% m/m) as sales turnaround to register a 1.5% m/m growth (Dec: -0.6% m/m).

Eurozone's IPI surprised on the upside by growing 0.7%

- Eurozone's industrial output topped estimates by growing +0.7% m/m in Jan (Dec: -1.3% m/m), led by an upturn in the production of intermediate goods (+1.5% m/m vs Jan: -2.7% m/m). Highly volatile Irish output was the main explanation for this swing but the underlying picture suggests that the manufacturing sector may be gaining traction and may offer modest positive contributions to 1Q GDP.

UK's Spring Budget: Economy to avoid technical recession in 2023

- Key economic forecasts from Finance Minister Jeremy Hunt's Spring Budget include. 1) GDP will fall by 0.2% in 2023 (Revised up by 1.2ppts) and avoid a technical recession. The economy will grow by 1.8% and 2.5% in 2024 and 2025 respectively. 2) The unemployment rate is expected to rise modestly to a peak of 4.4% (Revised down 0.5ppts). 3) Inflation to fall from its peak of 10.7% in Q4 2022 to 2.9% in Q4 2023. Inflation in 2023 as a whole is expected to be 6.1% (Revised down 1.2ppts). Inflation is expected to fall to 0.9% in 2024 and

to remain near 0.0% until mid-2026. Inflation is then forecast to return sustainably to the 2% target by 2027-28.

House View and Forecasts

FX	This Week	1Q-23	2Q-23	3Q-23	4Q-23
DXY	104-106	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

Rates, %	Current	1Q-23	2Q-23	3Q-23	4Q-23
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
16-March	JN Trade Balance (Feb)	-¥3496.6b
	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%
17-March	SI Non-oil Domestic Exports SA MoM (Feb)	0.90%
	MA Imports YoY (Feb)	2.30%
	MA Trade Balance MYR (Feb)	18.16b
	MA Exports YoY (Feb)	1.60%
	EC Labour Costs YoY (4Q)	2.90%
	EC CPI YoY (Feb F)	8.60%
	US Industrial Production MoM (Feb)	0.00%
	US Capacity Utilization (Feb)	78.30%
	US Leading Index (Feb)	-0.30%
	US U. of Mich. Sentiment (Mar P)	67
	US U. of Mich. 1 Yr Inflation (Mar P)	4.10%
US U. of Mich. 5-10 Yr Inflation (Mar P)	2.90%	

Source: Bloomberg

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