

17 March 2023

Global Markets Research
Daily Market Highlights

17 March: Wall Street post solid gains

Risk sentiments made a return amid easing fear over banking rout

ECB raised rates by 50bps to 3.50%; not possible to determine yet future path for rates

US housing data topped estimates; jobless claims fell more than expected

- A group of 11 financial institutions, including JP Morgan Chase, Citigroup, Bank of America and Wells Fargo, has agreed to a \$30bn capital infusion for First Republic Bank in what is meant to be a sign of confidence in the banking system. Regional bank stocks initially fell but reversed higher after the group stepped in. The Dow Jones Industrial Average closed the day 1.2% d/d higher, S&P 500 gained 1.8% d/d while Nasdaq Composite advanced 2.5% d/d. Also boosting markets was an announcement from Credit Suisse that it will borrow up to nearly \$54bn from the Swiss National Bank to assure short-term liquidity. In Europe, Stoxx 600 index closed up 1.2% d/d in choppy trading, while FTSE 100 added 0.9% d/d. Asia-Pacific markets dropped, with Nikkei 225 and Hang Seng sliding 0.8% d/d and 1.7% d/d respectively.
- Treasury yields rose, reversing an earlier decline, as traders weighed the rescue plan for First Republic Bank. The 10-year Treasury yield climbed 12bps to 3.58%, while the 2-year Treasury jumped 27bps to 4.16%.
- The Dollar Index weakened 0.2% d/d and EUR strengthened 0.3% d/d after ECB's decision to continue with its tightening policy to tame inflation. The pair stuck to a narrow range before the ECB announcement. GBP also strengthened 0.4% d/d, but safe-haven JPY took a breather to weaken by 0.2% d/d. MYR also depreciated by 0.4% d/d to 4.5030, while SGD closed 0.4% d/d stronger at 1.3469.
- Oil snapped its declining streak, gaining between 1.1%-1.4% d/d after state media reported that Saudi and Russia are set to meet to discuss the OPEC+ group's efforts to maintain market balance. Gold gave up some of its earlier gains and dipped 0.4% d/d as concerns over the banking sector eased after the rescue package.

ECB raised rates by 50bps to 3.50%, as expected

- As expected, the European Central Bank raised the key refinancing rate by 50bps to 3.50%. The central bank reiterated that inflation is still too high and will remain so for some time with price pressures increasingly coming from food, industrial goods and services. Key highlights from the statement and press conference include: 1) GDP growth of 1.0% for 2023 and 1.6% for 2024 and 2025. The projections were, however, finalised before the recent emergence of financial market tensions. 2) Inflation averaging 5.3% in 2023, 2.9% in 2024 and 2.1% in 2025. Excluding energy and food, inflation to average 4.6% in 2023, 2.5% in 2024 and 2.2% in 2025. 3) The statement offered few clues on the next move. In fact, Christine Lagarde highlighted that it's "not

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	32,246.55	1.17
S&P 500	3,960.28	1.76
NASDAQ	11,717.28	2.48
Stoxx Eur 600	441.64	1.19
FTSE 100	7,410.03	0.89
Nikkei 225	27,010.61	-0.80
Hang Seng	19,203.91	-1.72
Straits Times	3,155.54	-0.55
KLCI 30	1,391.60	-0.88
FX		
Dollar Index	104.42	-0.22
EUR/USD	1.0610	0.31
GBP/USD	1.2109	0.43
USD/JPY	133.74	0.24
AUD/USD	0.6656	0.56
USD/CNH	6.8953	0.04
USD/MYR	4.5030	0.41
USD/SGD	1.3469	-0.38
Commodities		
WTI (\$/bbl)	68.35	1.09
Brent (\$/bbl)	74.70	1.37
Gold (\$/oz)	1,923.00	-0.43
Copper (\$\$/MT)	8,518.00	0.16
Aluminum(\$/MT)	2,267.50	-0.42
CPO (RM/tonne)	4,184.00	0.55

Source: Bloomberg, HLBB Global Markets Research

possible to determine at this point in time” the future path for rates but also added that a large majority of ECB policy makers backed this week’s decision.

US housing data topped estimates; jobless claims fell; regional business outlook remained weak

- In a sign of funding strains, data published by the Fed showed \$152.9bn in borrowing from the discount window, the traditional liquidity backstop for banks, in the week ended March 14, a record high and a jump from \$4.6bn the previous week. The prior all-time high was \$111bn during the 2008 financial crisis. There was also an additional \$11.9bn in borrowing from the Bank Term Funding Programme, Fed’s new emergency backstop just launched Sunday.
- Housing data exceeded estimates in February. Housing starts jumped 9.8% m/m to 1450k (Jan: -2.0% m/m to 1321k), the fastest in 5 months and led by multifamily projects. Building permits, a proxy for future construction also climbed 13.8% m/m to 1524k (Jan: +0.1% m/m to 1339k).
- Import prices dipped less than expected by 0.1% m/m in February (Jan: -0.4% m/m) and fell 1.1% y/y (Jan: +0.9% y/y). This is the first y/y decrease since December 2020 and the largest drop since September 2020. The modest decrease in m/m prices came amid a continued slump in prices for fuel imports. Export prices, meanwhile, unexpectedly advanced 0.2% m/m (Jan: +0.5% m/m), led by a rebound in agriculture prices. Despite the first 2 monthly gains, prices declined 0.8% y/y (Jan: +2.2% y/y), the first y/y fall since November 2020.
- Jobless claims in the week ending March 11 fell more than expected by 20k to 192k (Mar 4: +22k to 212k). This is the largest drop since July as claims in New York plunged after a spike the previous week due to school workers negotiating their contracts. In tandem with this, continuing claims also fell 29k to 1684k (Feb 25: +64k to 1713k).
- The Philadelphia Fed Business Outlook Survey came below expectations at -23.2 in March (Feb: -24.3), suggesting continued declines for the region’s manufacturing sector. The survey’s indicators for general activity, new orders, and shipments were all negative, and the firms reported a decline in employment. The New York Fed Services Business Activity index, meanwhile, improved but also remained negative at -10.1 (Feb: -12.8). Of note, the business climate index moved down 4 points to -38.8, suggesting that the business climate was much worse than normal. Looking ahead, the future activity indicators suggest subdued expectations for growth over the next six months.

Australia’s unemployment rate fell to 3.5%

- Australia’s employment growth surpassed expectations to rebound by +64.6k (Jan: -10.9k) and sending unemployment rate lower to 3.5% (Jan: 3.7%). The increase in employment followed 2 consecutive months of declines. Of note, there was a larger than usual number of people waiting to start a new job in January, the majority of whom returned to or commenced their jobs in February.

Japan’s exports and core machinery orders accelerated

- Japan’s February trade deficit narrowed sharply to the lowest in 10 months at ¥0.9tn (Jan: ¥3.5tn) on slowing imports and encouraging exports. Import growth decelerated to +8.3% y/y (Jan: +17.5% y/y), while exports climbed 6.5% y/y (Jan: +3.5% y/y) as car pushed up sales. In tandem with this, growth in core

machinery orders, an indicator of future capital spending, rose more than expected by 9.5% m/m in Jan (Dec: +0.3% m/m).

China home prices rose for the first time in 18 months

- China's home price rose for the first time in 18 months, gaining 0.3% m/m in February (Jan: No change) and in 55 cities (Jan: 36). On a y/y basis, prices nevertheless fell at a slower pace of 1.9% y/y (Jan: -2.3% y/y).

Hong Kong unemployment rate dipped 0.1ppts to 3.3%

- Hong Kong jobless rate matched estimate to drop to 3.3% in February (Jan: 3.4%), the 11th straight decline. Jobless rate declined across almost all major sectors, with a notable decrease in the retail, transport, arts, entertainment and recreation segments. Moving forward, the employment market should improve further in the near term as economic activities return to normalcy and inbound tourism rebounds.

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	3.50	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

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Date	Events	Prior
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%
20-March	US U. of Mich. 5-10 Yr Inflation (Mar P)	2.90%
	UK Rightmove House Prices MoM (Mar)	0.00%
	CH 5-Year Loan Prime Rate	4.30%
	CH 1-Year Loan Prime Rate	3.65%
	EC Trade Balance SA (Jan)	-18.1b

Source: Bloomberg

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