

17 April 2023

Global Markets Research

Daily Market Highlights

17 April: Weak retail sales overshadowed robust earnings

Dented sentiment and Wall Street; UST yields climbed with front-end underperforming

Retail sales slipped on auto and gas; manufacturing output fell on business equipment

China home prices marched up; PBoC Governor: Financial system stable, risks controllable

- Weak retail sales data put a dent on sentiment and Wall Street, sending Dow Jones Industrial Average, S&P 500 and Nasdaq 0.2-0.4% d/d lower. The disappointing retail sales data overshadowed stronger than expected bank earnings, which saw JPMorgan Chase surging 7.6%, Citigroup adding 4.8% and BlackRock rising 3.1% d/d. Wells Fargo briefly rose as much as 2.0% before closing about flat.
- In Europe, Stoxx 600 closed 0.6% higher, its fourth consecutive positive session, while FTSE 100 gained 0.4% d/d. Asia markets largely rose, with Nikkei 225 leading gains in the region at +1.2% d/d. Hang Seng was up 0.5% d/d.
- UST yields climbed with the front-end underperforming. The 2Y gained a whopping 13bps to 4.10%, while the 10Y rose 7bps to 3.51%. The 10Y European bond yields, meanwhile, rose between 4 to 9 bps.
- DXY bounced off its low on Friday, strengthening 0.5% d/d to close the day at 101.55. EUR and GBP weakened 0.5% and 0.9% d/d respectively. In Asia, JPY depreciated 0.9% d/d to 133.79, while CNH closed flat. Similarly, MYR closed flat at 4.4012, while SGD weakened 0.6% d/d to 1.3301 after Singapore's economy contracted more than expected by 0.7% q/q in 1Q and MAS maintained the SGD NEER policy band.
- Oil rose 0.3%-0.4% d/d on Friday after the International Energy Agency warned that the market would be deeply undersupplied in wake of output cuts by OPEC+ as well as stronger demand from China. Gold, meanwhile, retreated sharply by 1.9% d/d as greenback rebounded.

US retail sales slipped on auto and gas; manufacturing output fell on business equipment, consumer sentiment rose despite higher 1Y inflation expectations

- Led by lower sales of gasoline and auto, March's retail sales fell more than expected and by the most in 4-months by 1.0% m/m (Feb: -0.2% m/m). Stripping this, sales fell a more moderate 0.3% m/m (Feb: no change). Weakness in sales were broad-based, with discretionary spending like electronics and spending on food services contracting during the month.
- While IPI surprised on the upside with growth of +0.4% m/m in March (Feb: +0.2% m/m), manufacturing output fell for the first time in a year by 0.5% m/m (Feb: +0.6% m/m). The drop in manufacturing output was driven by a pullback in production of business equipment and construction supply while consumer goods recorded stronger growth. Capacity utilization, meanwhile, edged up to

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	33,886.47	-0.42
S&P 500	4,137.64	-0.21
NASDAQ	12,123.47	-0.35
Stoxx Eur 600	466.91	0.58
FTSE 100	7,871.91	0.36
Nikkei 225	28,493.47	1.20
Hang Seng	20,438.81	0.46
Straits Times	3,302.66	0.25
KLCI 30	1,435.13	0.06
FX		
Dollar Index	101.55	0.54
EUR/USD	1.0992	-0.49
GBP/USD	1.2413	-0.88
USD/JPY	133.79	0.91
AUD/USD	0.6707	-1.11
USD/CNH	6.8729	0.02
USD/MYR	4.4012	0.00
USD/SGD	1.3301	0.61
Commodities		
WTI (\$/bbl)	82.52	0.44
Brent (\$/bbl)	86.31	0.26
Gold (\$/oz)	2,002.20	-1.92
Copper (\$\$/MT)	9,023.50	-0.39
Aluminum(\$/MT)	2,385.50	0.78
CPO (RM/tonne)	4,159.00	-1.67

Source: Bloomberg, HLBB Global Markets Research

79.8% (Feb: 79.6%), while business inventories grew at a slightly lower pace than expected by +0.2% m/m (Feb: -0.2% m/m).

- The University of Michigan's sentiment rose more than expected to 63.5 in April (March: 62.0). Year-ahead inflation expectations continued to seesaw, as in the past 4 months, and rose sharply to 4.6% (Mar: +3.6%). Nevertheless, uncertainties over inflation expectations continued to be focused on the short-term, as long-term expectations remained stable at 2.9% (Mar: 2.9%).

China home prices marched to the fastest pace in 21 months

- In line with the pick-up in aggregate financing recently. China's home prices marched to +0.4% m/m in March (Feb: +0.3% m/m). This is the fastest in 21 months. PBoC Governor Yi Gang, meanwhile, said that the Chinese economy is rebounding with consumer spending rapidly recovering in his meeting with IMFC. He also added that the services sector has recovered significantly and that prices and China's financial system are broadly stable, with risks in the latter controllable.

House View and Forecasts

FX	This Week	2Q-23	3Q-23	4Q-23	1Q-24
DXY	100-102	100.97	99.96	97.96	96.98
EUR/USD	1.09-1.11	1.10	1.11	1.12	1.13
GBP/USD	1.24-1.26	1.24	1.25	1.24	1.24
USD/JPY	131-135	131	130	128	128
AUD/USD	0.67-0.69	0.68	0.68	0.69	0.70
USD/MYR	4.38-4.43	4.39	4.35	4.31	4.28
USD/SGD	1.32-1.34	1.31	1.30	1.27	1.26

Rates, %	Current	2Q-23	3Q-23	4Q-23	1Q-24
Fed	4.75-5.00	5.00-5.25	5.00-5.25	5.00-5.25	5.00-5.25
ECB	3.50	4.00	4.00	4.00	4.00
BOE	4.25	4.25	4.25	4.25	4.25
BOJ	-0.10	-0.10	-0.10	-0.10	-0.10
RBA	3.60	3.60	3.60	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
17-April	SI Non-oil Domestic Exports YoY (Mar)	-15.60%
	CH 1-Yr Medium-Term Lending Facility Rate	2.75%
	US Empire Manufacturing (Apr)	-24.6
	US NAHB Housing Market Index (Apr)	44
17-19 Apr	EC EU Commission Economic Forecasts	
18-Apr	AU CBA Household Spending MoM (Mar)	-0.10%
	AU RBA Minutes of April Policy Meeting	
	CH GDP YoY (1Q)	2.90%
	CH Industrial Production YoY (Mar)	2.40%
	CH Retail Sales YoY (Mar)	3.50%
	CH Fixed Assets Ex Rural YTD YoY (Mar)	5.50%
	CH Surveyed Jobless Rate (Mar)	5.60%
	UK ILO Unemployment Rate 3Mths (Feb)	3.70%
	EC ZEW Survey Expectations (Apr)	10
	EC Trade Balance SA (Feb)	-11.3b
	US Building Permits MoM (Mar)	13.80%
	US Housing Starts MoM (Mar)	9.80%
	US New York Fed Services Business Activity (Apr)	-10.1

Source: Bloomberg

Hong Leong Bank Berhad

Fixed Income & Economic Research, Global Markets

Level 8, Hong Leong Tower
6, Jalan Damanlela
Bukit Damansara
50490 Kuala Lumpur
Tel: 603-2081 1221
Fax: 603-2081 8936

HLMarkets@hlbb.hongleong.com.my

DISCLAIMER

This report is for information purposes only and does not take into account the investment objectives, financial situation or particular needs of any particular recipient. The information contained herein does not constitute the provision of investment advice and is not intended as an offer or solicitation with respect to the purchase or sale of any of the financial instruments mentioned in this report and will not form the basis or a part of any contract or commitment whatsoever.

The information contained in this publication is derived from data obtained from sources believed by Hong Leong Bank Berhad ("HLBB") to be reliable and in good faith, but no warranties or guarantees, representations are made by HLBB with regard to the accuracy, completeness or suitability of the data. Any opinions expressed reflect the current judgment of the authors of the report and do not necessarily represent the opinion of HLBB or any of the companies within the Hong Leong Bank Group ("HLB Group"). The opinions reflected herein may change without notice and the opinions do not necessarily correspond to the opinions of HLBB. HLBB does not have an obligation to amend, modify or update this report or to otherwise notify a reader or recipient thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

HLB Group, their directors, employees and representatives do not have any responsibility or liability to any person or recipient (whether by reason of negligence, negligent misstatement or otherwise) arising from any statement, opinion or information, expressed or implied, arising out of, contained in or derived from or omission from the reports or matter.

Potential and actual conflict of interest may arise from the activities of HLB Group. HLB Group constitute a diversified financial services group. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, hedging transactions and other activities for their own account or the account of others. In the ordinary course of their business, HLB Group may effect transactions for their own account or for the account of their customers and hold long or short positions in the financial instruments. HLB Group, in connection with its business activities, may possess or acquire material information about the financial instruments. Such activities and information may involve or have an effect on the financial instruments. HLB Group have no obligation to disclose such information about the financial instruments or their activities.

The past performance of financial instruments is not indicative of future results. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Any projections or forecasts mentioned in this report may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information. No assurance can be given that any opinion described herein would yield favourable investment results. Recipients who are not market professional or institutional investor customer of HLBB should seek the advice of their independent financial advisor prior to taking any investment decision based on the recommendations in this report.

HLBB may provide hyperlinks to websites of entities mentioned in this report, however the inclusion of a link does not imply that HLBB endorses, recommends or approves any material on the linked page or accessible from it. Such linked websites are accessed entirely at your own risk. HLBB does not accept responsibility whatsoever for any such material, nor for consequences of its use.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. This report is for the use of the addressees only and may not be redistributed, reproduced or passed on to any other person or published, in part or in whole, for any purpose, without the prior, written consent of HLBB. The manner of distributing this report may be restricted by law or regulation in certain countries. Persons into whose possession this report may come are required to inform themselves about and to observe such restrictions. By accepting this report, a recipient hereof agrees to be bound by the foregoing limitations.