

18 January 2023

Global Markets Research
Daily Market Highlights

18 Jan: US stocks ended a four-day rally

Goldman Sachs missed earnings; sending stocks lower

DXY traded near 102; JPY strengthened while awaiting BOJ decision

China's GDP slowed to 2.9% in 4Q; full year growth of 3.0% beat expectations

- The Dow Jones Industrial Average fell as investors struggled to keep building on early 2023 momentum and weighed the latest earnings results. Dow Jones lost 1.1% d/d, the S&P 500 fell 0.2% d/d, while the Nasdaq Composite gained 0.1% d/d. Goldman slid 6.4% after the bank reported its worst earnings miss in a decade for the fourth quarter. European markets were generally muted, with concerns about the global economy high on the agenda at the World Economic Forum. Stoxx EUR 600 gained 0.4% d/d, but FTSE 100 slid 0.1% d/d. Asia-Pacific markets mostly traded lower as investors digested a slew of Chinese economic data. CSI 300 ended its day lower by less than 0.1% d/d. Hong Kong's Hang Seng index fell 0.8% d/d, Stocks in Japan bucked the trend, with the Nikkei 225 rising 1.2% d/d.
- Treasury yields posted modest gains at the front end of the curve, with the policy sensitive 2-year falling 3bps to 4.21%. The yield on the benchmark 10-year Treasury was up by 4bps to 3.55%.
- The Dollar Index continued to trade near its lowest level since April, despite edging up slightly by 0.1% d/d to close at 102.39. JPY strengthened 0.4% d/d on expectations of a possible policy shift at the Bank of Japan that could end its so-called "yield curve control." GBP appreciated 0.8% d/d after data showed UK wages growth picked up more pace in the three months to November. EUR weakened 0.3% d/d, while the CNH also depreciated 0.4% d/d. MYR weakened 0.2% d/d overnight to close at 4.3258, but SGD appreciated by 0.1% d/d to 1.3202.
- Oil prices rose to their highest in two weeks on Tuesday after China posted weak but expectation-beating annual GDP. Brent crude rose 3.1% d/d, while the WTI gained 1.5% d/d. Prices of gold fell 0.6% d/d after hitting its 8-months peak on Monday on hopes that the Fed would adopt a less aggressive approach to rate hikes going forward.

New York Fed manufacturing index unexpectedly worsened

- The Empire State Manufacturing Survey's business conditions index unexpectedly worsened more than expected to -32.9 in January (Dec: -11.2). Notably, the plunge was led by substantial decline in new orders and shipments. Looking ahead, firms also expect little improvement in business conditions over the next six months.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	33,910.85	-1.14
S&P 500	3,990.97	-0.20
NASDAQ	11,095.11	0.14
Stoxx Eur 600	456.46	0.40
FTSE 100	7,851.03	-0.12
Nikkei 225	26,138.68	1.23
Hang Seng	21,577.64	-0.78
Straits Times	3,280.51	-0.09
KLCI 30	1,499.38	0.39
FX		
Dollar Index	102.39	0.07
EUR/USD	1.0788	-0.31
GBP/USD	1.2286	0.75
USD/JPY	128.12	-0.36
AUD/USD	0.6988	0.47
USD/CNH	6.7698	0.40
USD/MYR	4.3258	0.20
USD/SGD	1.3202	-0.08
Commodities		
WTI (\$/bbl)	81.04	1.48
Brent (\$/bbl)	86.70	3.07
Gold (\$/oz)	1,911.20	-0.55
Copper (\$\$/MT)	9,295.00	2.14
Aluminum(\$/MT)	2,624.50	0.71
CPO (RM/tonne)	3,835.50	-0.01

Source: Bloomberg, HLBB Global Markets Research

Germany's ZEW survey unexpectedly rebounded into positive territory

- The ZEW Indicator of Economic Sentiment for Germany made a considerable leap upwards in January, with the Expectations Index improving more than expected into positive territory to +16.9 (Dec: -23.3). This is the first time since February 2022 that the indicator is back in positive territory. In particular, the more favourable situation in the energy markets and the German government's energy price caps have contributed to this.

UK unemployment rate held steady at 3.7%, wage growth accelerated

- UK's unemployment rate steadied in the three months to November and wage growth continued to accelerate, a sign the labour market remained tight despite softening demand for labour. The unemployment rate matched consensus estimates for a stabilized 3.7%. Labour demand showed further signs of cooling, with job vacancies declining, pace of increase in payroll employees softening while jobless claimants also accelerated. Nevertheless, softer demand for workers has yet to feed through wages as pay growth accelerated further. Average weekly earnings excluding bonuses accelerated more than expected by +6.4% y/y (Oct+ 6.2% y/y), the strongest growth rate seen outside of the pandemic period.

China's GDP slowed to 2.9% in 4Q

- China's GDP slowed less than forecast to +2.9% y/y in 4Q of 2022 (3Q: +3.9% y/y). In tandem with this, GDP grew by 3.0% for the whole of 2022, higher than consensus estimate's +2.7% y/y but still below the government's full year target of 5.0%.
- However, December data suggests activity remained weak for the month, albeit not as bad as expected. Growth in industrial output decelerated to 1.3% y/y (Nov: +2.2% y/y), while retail sales contracted at a slower pace of 1.8% y/y (Nov: -5.9% y/y). Fixed asset investment gained more than expected at +5.1% YTD, while jobless rate fell more than expected to 5.5% (Nov: 5.7%). In its press release, the statistics bureau added that the foundation of the domestic economic recovery is not solid as the international situation is still complicated and severe. Domestically, the economy is facing a triple threat of demand contraction, supply shock and weakening expectations.

Singapore's NODX plunged 20.6% y/y

- Singapore's non-oil domestic exports (NODX) worsened more than expected by 20.6% y/y in Dec (Nov: -14.7% y/y). Non-electronic exports led the disappointing data, contributed by declines in non-monetary gold, specialised machinery and primary chemicals. In contrast, electronic NODX fell at a slower pace of 17.9% y/y (Nov: -20.2% y/y). By markets, China, Indonesia and Hong Kong were the largest contributors to the drop.

House View and Forecasts

FX	This Week	1Q-23	2Q-23	3Q-23	4Q-23
DX	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
18-Jan	JN Core Machine Orders MoM (Nov)	5.40%
	MA Imports YoY (Dec)	15.60%
	MA Exports YoY (Dec)	15.60%
	JN Industrial Production MoM (Nov F)	-0.10%
	UK CPI MoM (Dec)	0.40%
	EC CPI MoM (Dec F)	-0.30%
	US MBA Mortgage Applications	1.20%
	US New York Fed Services Business Activity (Jan)	-17.6
	US Retail Sales Advance MoM (Dec)	-0.60%
	US PPI Final Demand MoM (Dec)	0.30%
	US Industrial Production MoM (Dec)	-0.20%
	US Business Inventories (Nov)	0.30%
	US NAHB Housing Market Index (Jan)	31
	JN BOJ Policy Balance Rate	-0.10%
19-Dec	US Federal Reserve Releases Beige Book	
	JN Exports YoY (Dec)	20.00%
	JN Imports YoY (Dec)	30.30%
	AU Consumer Inflation Expectation (Jan)	5.20%
	UK RICS House Price Balance (Dec)	-25%
	AU Unemployment Rate (Dec)	3.40%
	MA BNM Overnight Policy Rate	2.75%
	HK Unemployment Rate SA (Dec)	3.70%
	US Building Permits MoM (Dec)	-11.20%
	US Housing Starts MoM (Dec)	-0.50%
	US Philadelphia Fed Business Outlook (Jan)	-13.8
	US Initial Jobless Claims (14-Jan)	205k

Source: Bloomberg

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