

18 April 2023

## Global Markets Research

### Daily Market Highlights

# 18 April: UST yields jumped on Empire State Manufacturing

**Empire state index unexpectedly turned positive; NAHB housing market index improved Wall Street in the green; DXY rallied above 102 as markets repriced for more hawkish Fed China maintained MLF at 2.75%; smaller liquidity injections; 1Q GDP in focus today**

- Wall Street kicked off the week further in the green with the S&P 500, Dow Jones Industrial Average and NASDAQ rising 0.3% d/d each. Earnings season pressed on with results from State Street and Charles Schwab before the bell. Schwab shares rose 3.9% d/d on a profit beat despite a decline in deposits. State Street fell 9.2% after missing estimates on the back of customers' withdrawal in its investment products. European markets closed mixed with Stoxx 600 closing just below the flat line while FTSE 100 added 0.1% d/d. Asian markets mostly traded higher, with Hang Seng leading gains in the region at +1.7% d/d, while Nikkei 225 added 0.1% d/d.
- The Treasury market was weaker and UST yields jumped after the much stronger Empire State Manufacturing report which saw the index break 4 months of contraction. Further adding to weakness in the UST space was the slight improvement in NAHB home builder confidence. The 2Y spiked 10bps to 4.19%, while the 10Y was up 9bps to 3.60%. The 10Y European bond yields, meanwhile, rose between 1 to 10 bps.
- DXY broke the 102-level, rising to as high as 102.23 before closing the day at 102.10, or up 0.5% d/d. This is as markets priced in a more hawkish Fed outlook after the jump in Empire Manufacturing. EUR weakened 0.6% d/d after hitting a 1-year high last week as investors expect further interest rate hikes from the ECB last week. GBP was weaker 0.3% d/d, while JPY depreciated 0.5% d/d to 134.47 as BOJ stuck to its ultra-dovish policy. MYR and SGD were weaker by 0.5% d/d and 0.3% d/d respectively at 4.4225 and 1.3342 as the USD regained grounds.
- Oil dipped between 1.8%-2.1% d/d as investors were cautious over tepid demand. Signalling this was weakness in global diesel demand as well as reports that some Asian refiners are considering cuts to their crude processing volumes as profit margins shrank. Gold, meanwhile, reversed course to slip below the key \$2k/oz level and was down 0.4% d/d.

#### China maintained MLF at 2.75%

- As widely expected, the People's Bank of China (PBoC) maintained the 1-year medium-term lending facility rate (MLF) unchanged at 2.75% but the amount of liquidity injections was smaller than market had anticipated at 170bn yuan (Previous: 481bn yuan). The two policy decisions, coupled with a recovery in the Chinese economy recently suggests that the central bank will most likely keep its policy rate unchanged in the near term.

#### Key Market Metrics

	Level	d/d (%)
<b>Equities</b>		
Dow Jones	33,987.18	0.30
S&P 500	4,151.32	0.33
NASDAQ	12,157.72	0.28
Stoxx Eur 600	466.84	-0.01
FTSE 100	7,879.51	0.10
Nikkei 225	28,514.78	0.07
Hang Seng	20,782.45	1.68
Straits Times	3,319.26	0.50
KLCI 30	1,434.90	-0.02
<b>FX</b>		
Dollar Index	102.10	0.54
EUR/USD	1.0926	-0.60
GBP/USD	1.2376	-0.30
USD/JPY	134.47	0.51
AUD/USD	0.6701	-0.09
USD/CNH	6.8827	0.14
USD/MYR	4.4225	0.48
USD/SGD	1.3342	0.31
<b>Commodities</b>		
WTI (\$/bbl)	80.83	-2.05
Brent (\$/bbl)	84.76	-1.80
Gold (\$/oz)	1,994.20	-0.40
Copper (\$\$/MT)	8,964.50	-0.65
Aluminum(\$/MT)	2,378.50	-0.29
CPO (RM/tonne)	4,135.50	-0.57

Source: Bloomberg, HLBB Global Markets Research

### US Empire State Manufacturing unexpectedly turned positive, NAHB Housing Market rose for the 4<sup>th</sup> month

- The Empire State Manufacturing Survey headline index unexpectedly turned positive at 10.8 in April (Mar: -24.6), boosted by a surge in new orders and shipments sub-indices. Nevertheless, it should be noted that firm expect little improvement in the next 6 months given the subdued reading of 6.6 for index for future business conditions
- Matching expectations, NAHB/Wells Fargo Housing Market Index rose to 45 in April (Mar: 44) as expected, the 4th consecutive month of increase and bolstered by lack of resale inventory. Builders also commented that the recent contraction in mortgage rates will boost demand but the industry continued to be weighed down by building material supply constraints.

### Australia's CBA household spending jumped 8.0% m/m, but gains were more moderate y/y

- Australia's CBA Household Spending Intentions (HSI) index jumped 8.0% m/m in March (Feb: -0.1% m/m), following 2 consecutive months of contraction. Gains were led by the transport, entertainment, retail and travel sectors, partially due to a longer month as well as seasonal factors. On a y/y basis, the increase was more moderate, decelerating to +3.8% y/y (Feb: + 4.6% y/y), reflecting the lagged impact of higher interest rates on spending.

### Contraction in Singapore's exports narrowed more than expected

- Singapore's NODX fell for the sixth straight month, albeit narrower than expected by -8.3% y/y (Feb: -15.8% y/y). Contraction in electronic exports eased to -22.3% y/y (Feb: -26.5% y/y), while non-electronic exports dipped 4.7% y/y (Feb: -12.4% y/y) led by non-monetary gold, petrochemicals and food preparations. Higher exports to US and South Korea, meanwhile, were offset by contraction in key markets like China, Taiwan and Malaysia.

### House View and Forecasts

FX	This Week	2Q-23	3Q-23	4Q-23	1Q-24
DX	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
18-Apr	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
19-Apr	AU Westpac Leading Index MoM (Mar)	-0.06%
	MA Imports YoY (Mar)	12.40%
	MA Exports YoY (Mar)	9.80%
	JN Capacity Utilization MoM (Feb)	-5.50%
	JN Industrial Production MoM (Feb F)	4.50%
	UK CPI YoY (Mar)	10.40%
	UK PPI Output NSA YoY (Mar)	12.10%
	UK PPI Input NSA YoY (Mar)	12.70%
	UK House Price Index YoY (Feb)	6.30%
	EC CPI YoY (Mar F)	6.90%
	US MBA Mortgage Applications	5.30%

Source: Bloomberg

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