

18 May 2023

Global Markets Research

Daily Market Highlights

18 May: Risk-on sentiment

Wall Street climbed on optimism over debt ceiling deal; bank shares rallied

DXY and UST yields saw extended gains; Fed speaks remain hawkish

Mixed US housing data; Japan's 1Q GDP beat expectations; China's home prices softened

- Wall Street closed higher overnight on a positive debt ceiling update from President Biden, further boosted by a rally in bank shares. The Dow Jones Industrial Average and S&P 500 traded 1.2% d/d higher each, while Nasdaq Composite advanced 1.3% d/d. On Wednesday morning, Biden said that he and the other lawmakers had a “productive” meeting” and that the US will not default, while Speaker McCarthy said a deal done by the end of the week is doable. Regional bank shares also rallied, boosting market sentiment after Western Alliance Bancorp reported deposit growth.
- European and Asian markets closed mixed, with Stoxx 600 and FTSE 100 down 0.2% d/d and 0.4% d/d respectively. Hang Seng saw a sharp sell-off, closing 2.1% d/d lower as sentiment was dampened by softer China's new home prices. Nikkei 225, on the other hand, jumped 0.8% d/d.
- UST yields rose as investors shifted into stocks, while hawkish Fed speak added to selling pressures on the front end. The 10Y yields ticked higher by 3bps at 3.56%. while the 2Y surged 7bps at 4.15%. The 10Y European bonds yield closed mixed between -4 to +2bps
- DXY closed 0.3% d/d firmer at 102.88, but off the day's peak of 103.11. EUR weakened 0.2% d/d, while GBP closed flat. In Asia, JPY led losses in the region, weakening 1.0% d/d, while CNH depreciated 0.1% d/d. SGD was 0.1% d/d weaker at 1.3421 while MYR depreciated further by 0.6% d/d to 4.5262.
- Oil prices surged between 2.7%-2.8% d/d as risk-on sentiment outweighed Energy Information Administration's report of an inventory build of 5m barrels for the week ended May 12. Gold slipped 0.4% d/d as USD strengthened.

US housing data was mixed

- Housing data released in the US was mixed. Housing starts unexpectedly rose 2.2% m/m in April (March: -4.5% m/m), but building permits, a proxy for future construction, unexpectedly contracted, albeit at a slower pace of -1.5% m/m (March: -3.0% m/m). Nevertheless, higher mortgage rates remained a headwind to the economy. This is reflected in the latest mortgage applications falling 5.7% m/m for the week ended May 12 (May 5: +6.3% m/m), as the average contract interest rate for 30Y mortgages with conforming loan balances increased 9bps 6.57%.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	33,420.77	1.24
S&P 500	4,158.77	1.19
NASDAQ	12,500.57	1.28
Stoxx Eur 600	463.98	-0.15
FTSE 100	7,723.23	-0.36
Nikkei 225	30,093.59	0.84
Hang Seng	19,560.57	-2.09
Straits Times	3,173.84	-1.25
KLCI 30	1,424.34	0.06
FX		
Dollar Index	102.88	0.31
EUR/USD	1.0840	-0.20
GBP/USD	1.2487	-0.01
USD/JPY	137.68	0.95
AUD/USD	0.6660	0.06
USD/CNH	7.0080	0.13
USD/MYR	4.5262	0.60
USD/SGD	1.3421	0.13
Commodities		
WTI (\$/bbl)	72.83	2.78
Brent (\$/bbl)	76.96	2.74
Gold (\$/oz)	1,984.90	-0.41
Copper (\$\$/MT)	8,302.00	2.22
Aluminum(\$/MT)	2,296.50	1.64
CPO (RM/tonne)	3,770.50	-1.67

Source: Bloomberg, HLBB Global Markets Research

Eurozone's inflation rate maintained at 7.0%

- The final release for the eurozone's inflation rate was maintained at 7.0% y/y in April (March: +6.9% y/y), while core eased slightly to 5.6% y/y (March: 5.7% y/y). Services inflation remained strong, suggesting persistent inflation risks and demand-pull inflation at +5.2% y/y (March: +5.1% y/y).

Australia's wage grew held steady at +0.8% q/q

- In a sign that inflation threat due to wages is softening in Australia and leaving room for RBA to pause its rate hikes, wage growth unexpectedly held steady at +0.8% q/q in 1Q (consensus: +0.9% q/q) with the most significant contributors from the education and training as well as professional, scientific and technical services sectors. On a y/y basis however, wages accelerated to +3.7% y/y (4Q: +3.3% y/y), with 60% of jobs recording higher wage rise. This is the highest proportion since at least 2003.

China's home prices decelerated for the 4th month

- China's new home prices decelerated for the 4th straight month by +0.3% m/m in April (March: +0.4% m/m), in line with the sluggish property investment data released recently. In tandem with this, the number of cities registering home price growth also dipped to 62 (March: 64).
- Moving forward, we believe that the government will continue to roll out measures to support this segment of the economy, with the latest being a requirement for local real estate brokers to reduce fees for housing transactions and leasing services. Separately, FDI into China grew slower by 2.2% y/y for the period Jan-Apr (1Q: +4.9% y/y).

Japan's 1Q GDP grew at faster pace than expected at 1.6% after a technical recession

- Japan's economy grew at a much faster pace than expected by 1.6% q/q in 1Q (4Q: -0.1% q/q) as a lift in travel restrictions boosted tourism and thus, consumption. Private consumption accelerated to +0.6% q/q (4Q: +0.2% q/q), while growth was further supported by business spending (+0.9% q/q vs. 4Q: -0.7% q/q). These more than offset the -0.3ppts net exports contributions to GDP (4Q: +0.4ppts), which could continue to pose headwinds to the economy as global economies slow. Separately, IPI was revised upwards by 0.3ppts to +1.1% m/m in March (Feb: +4.6% m/m)

Singapore's NODX shrank for the 7th month by 9.8% y/y

- Singapore's NODX contracted for the 7th consecutive month and was a shade worse than expected at -9.8% y/y (March: -8.3% y/y). The contraction in exports for both electronics (-23.3% y/y vs March: -22.3% y/y) and non-electronics (-5.8% y/y vs. March: -4.7% y/y) worsened, with the latter led by petrochemicals, primary chemicals and food preparations. The boost from China's reopening also remained elusive as exports to the mainland plunged 20.9% y/y.

House View and Forecasts

FX	This Week	2Q-23	3Q-23	4Q-23	1Q-24
DX	101-103	100.97	99.96	97.96	96.98
EUR/USD	1.08-1.10	1.10	1.11	1.12	1.13
GBP/USD	1.24-1.26	1.24	1.25	1.24	1.24
USD/JPY	133-136	131	130	128	128
AUD/USD	0.67-0.69	0.68	0.68	0.69	0.70
USD/MYR	4.48-4.53	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	5.00-5.25	5.00-5.25	5.00-5.25	5.00-5.25	5.00-5.25
ECB	3.75	4.00	4.00	4.00	4.00
BOE	4.50	4.75	4.75	4.75	4.75
BOJ	-0.10	-0.10	-0.10	-0.10	-0.10
RBA	3.85	3.85	3.85	3.85	3.85
BNM	3.00	3.00	3.00	3.00	3.00

Source: HLBB Global Markets Research

Up Next

Date	Events	Prior
18-May	JN Exports YoY (Apr)	4.30%
	JN Imports YoY (Apr)	7.30%
	AU Employment Change (Apr)	53.0k
	AU Unemployment Rate (Apr)	3.50%
	HK Unemployment Rate SA (Apr)	3.10%
	US Initial Jobless Claims	242k
	US Continuing Claims	1813k
	US Philadelphia Fed Business Outlook (May)	-31.3
	US Existing Home Sales MoM (Apr)	-2.40%
	US Leading Index (Apr)	-1.20%
19-May	JN Exports YoY (Apr)	4.30%
	JN Imports YoY (Apr)	7.30%
	AU Employment Change (Apr)	53.0k
	AU Unemployment Rate (Apr)	3.50%
	EC ECB Publishes Economic Bulletin ()	
	HK Unemployment Rate SA (Apr)	3.10%
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Source: Bloomberg

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