

19 April 2023

## Global Markets Research

### Daily Market Highlights

## 19 April: Subdued Wall Street and treasuries

**Upside surprises in UK wage growth renewed BOE rate hike expectations**

**AUD boosted by RBA minutes saying a 25bps was being considered at the April meeting**

**Faster than expected pick-up in China's 1Q GDP growth at +4.5%**

- Wall Street was relatively unchanged, with all 3 major indices closing just above or below the flatline by less than 0.1% d/d each as investors adopt a wait-and-see attitude amidst mixed earnings reports. Ahead of the opening bell, Goldman Sachs reported disappointing results but this was offset by upbeat Bank of America as fixed-income traders fuelled profits. In the week ahead, TESLA, KeyCorp, American Express and AT&T are slated to announce earnings results.
- Stoxx 600, meanwhile, briefly scaled to a 14-month high earlier in the session and closed the day 0.4% d/d up. Similarly, FTSE 100 also added 0.4% d/d. Asian markets were mixed, with Nikkei 225 up 0.5% d/d, but Hang Seng slipped 0.6% d/d. CSI 300 closed the day 0.3% d/d higher after the upbeat 1Q China's GDP.
- In the US treasuries market, longer dated maturities outperformed, with the 10Y down 3bps to 3.58%, while the 2Y gained less than 1bps to 4.20%. The 10Y European bond yields, traded mixed, closing between -2 to +6bps.
- DXY lost ground, sliding 0.4% d/d to 101.75. EUR strengthened 0.4% d/d, while GBP jumped 0.4% d/d as wage growth stayed higher than forecast, which could prompt BOE to hike its interest rate again in May. In Asia-Pacific, CNH closed flat despite a stronger China GDP, while JPY strengthened 0.3% d/d. AUD appreciated 0.4% d/d after RBA minutes showed that the central bankers considered an 11th consecutive rate hike in April. MYR closed 0.3% d/d weaker at 4.4338, while SGD strengthened 0.1% d/d at 1.3327.
- Oil prices clung to slim gains of less than 0.1% d/d after an upbeat economic data in China offset concerns that possible increases in US fed funds rate could dampen growth. Gold, meanwhile, clawed its way back to above \$2k/oz and gained 0.7% d/d after the retreat in USD.

#### RBA considered 25bps rate hikes in its last policy meeting

- Minutes from the latest monetary policy meeting showed that the central bank did consider a 25bps rate hike before deciding to stay pat to reassess the need for further tightening at future meetings.
- Key arguments for a rate hike were: 1) The upgrade to near-term projections for population growth which could put pressure on existing capital stock, especially housing. 2) Increased risk of larger wage increases.
- Key arguments against the hike include: 1) Restrictive monetary policy, as observed in the slowdown in housing market, consumption and financial pressure for some households with housing loans. 2) Gather additional

#### Key Market Metrics

	Level	d/d (%)
<b>Equities</b>		
Dow Jones	33,976.63	-0.03
S&P 500	4,154.87	0.09
NASDAQ	12,153.41	-0.04
Stoxx Eur 600	468.62	0.38
FTSE 100	7,909.44	0.38
Nikkei 225	28,658.83	0.51
Hang Seng	20,650.51	-0.63
Straits Times	3,309.56	-0.29
KLCI 30	1,432.36	-0.18
<b>FX</b>		
Dollar Index	101.75	-0.35
EUR/USD	1.0972	0.42
GBP/USD	1.2425	0.40
USD/JPY	134.12	-0.26
AUD/USD	0.6725	0.36
USD/CNH	6.8823	-0.01
USD/MYR	4.4338	0.26
USD/SGD	1.3327	-0.11
<b>Commodities</b>		
WTI (\$/bbl)	80.86	0.04
Brent (\$/bbl)	84.77	0.01
Gold (\$/oz)	2,007.40	0.66
Copper (\$\$/MT)	9,012.50	0.54
Aluminum(\$/MT)	2,437.00	2.46
CPO (RM/tonne)	4,153.00	0.42

Source: Bloomberg, HLBB Global Markets Research

quarterly reading on inflation as well as monthly readings on the labour market, household spending, business conditions as well as developments in the global economy and financial markets.

- No change to our house view for continued pause in RBA rates for the remaining of the year.

#### **US housing starts and building permits fell**

- Housing starts fell less than expected by 0.8% m/m to 1.42m in March (Feb: +7.3% m/m), led by a decline in multifamily homes. Single-family homebuilding, on the other hand, increased 2.7% m/m to a 3-month high, possibly reflecting builders' increased activities in view of tighter inventories in the resale market. Nevertheless, building permits, a proxy for future construction, fell more than expected by 8.8% m/m to 1.41m (Feb: +15.8% m/m), again due to fewer permits for multifamily projects. Permits for one-family dwellings increased to a 5-month high.
- The New York Business Activity Index was little changed at -9.8 in April (Mar: -10.1). Nevertheless, the business climate index moved down 9 points to -47.7, suggesting that the business climate was below trend. Employment levels were unchanged, the first in 2 years. Wage, input and selling price increases slowed. Firms also do not expect conditions to improve over the next 6 months.

#### **Eurozone's and Germany's ZEW Investor Sentiment deteriorated**

- Eurozone's ZEW Survey Expectations deteriorated again to 6.4 in April (Mar: 10.0). For Germany specifically, the index unexpectedly declined to 4.1 (Mar: 13.0), suggesting no significant improvement in the economic situation to be expected in the 6 months. Participants are anticipating banks to be more cautious in their lending practices and higher interest and inflation rates to negatively impact the economy. On the flip side, participants do not see an acute crisis in the international financial markets and are expecting the earnings prospects for banks and insurance companies to improve.

#### **UK's job market softened but wage growth held up well**

- Average pay growth in the UK (excluding bonuses) came well above consensus at +6.6% y/y for the 3 months ending Feb (Jan: +6.6% y/y), with private sector pay easing slightly but still strong at +6.9% y/y (Jan: +7.0% y/y). Unemployment rate, meanwhile, unexpectedly rose to 3.8% (Feb: 3.7%), although partially reflecting an increase in participation rate. The number of payrolled employees missed expectations and decelerated to +31k in March (Feb: +39k), while vacancies fell to 1.11m (Feb: 1.12). As it is, vacancies have fallen q/q, reflecting uncertainties are holding back recruitment.

#### **Faster than expected pick-up in China's 1Q GDP growth**

- The slew of economic data released from China was mixed, but 1Q GDP did pick up more than expected to +4.5% y/y in 1Q (4Q: +2.9% y/y), reaffirming expectations that the recovery post-reopening is on track, albeit uneven, and our expectations that key policy rates will be maintained in the near term. At 4.5% y/y, this is also the fastest growth pace in one year.
- On the consumer side, retail sales jumped more than expected by 10.6% y/y, boosted by pent-up demand post opening as well as a favourable labour market as seen in unemployment rate easing to 5.3% y/y. Industrial output, on the other hand, increased slower than forecast at 3.9% y/y, but with notable growth seen in cement, steel and motor-vehicle production. Fixed asset investment missed estimate at +5.1% y/y (J-F: +5.5% y/y) and we noted that it

was primarily powered by state-owned enterprises rather than the private sector, as seen by the latter registering dismal less than 1.0% y/y growth while the former charting double-digit growth. Notably, property investment continued to contract, falling 5.8% y/y.

#### 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
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%
20-Apr	US MBA Mortgage Applications	5.30%
	US Federal Reserve Releases Beige Book	
	JN Exports YoY (Mar)	6.50%
	JN Imports YoY (Mar)	8.30%
	CH 5-Year Loan Prime Rate	4.30%
	CH 1-Year Loan Prime Rate	3.65%
	AU NAB Business Confidence (1Q)	-1
	MA CPI YoY (Mar)	3.70%
	US Initial Jobless Claims	239k
	US Continuing Claims	1810k
	US Philadelphia Fed Business Outlook (Apr)	-23.2
	US Existing Home Sales MoM (Mar)	14.50%
	US Leading Index (Mar)	-0.30%
	EC Consumer Confidence (Apr P)	-19.2

Source: Bloomberg

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