

19 May 2023

## Global Markets Research

### Daily Market Highlights

# 19 May: S&P 500 & NASDAQ jumped to 9-month highs

**Equities and DXY gained on debt ceiling optimism; continued sell-off in UST**

**Mixed US data; Dallas Fed Logan said latest data is not supportive of a rate pause yet**

**First drop in Japan's imports since 2021; Australia's CPI expectations rose again**

- The S&P 500 and Nasdaq Composite notched its highest closing level since August 2022 on reports of progress in the debt-ceiling resolution as well as robust corporate earnings. S&P 500 added 0.9% d/d, while the tech-heavy Nasdaq gained 1.5% d/d. The Dow Jones Industrial Average finished up 0.3% d/d, marking a second consecutive positive session for the major indices. House Speaker Kevin McCarthy said on Thursday that he can "see the path" for an agreement in regards to the debt ceiling negotiation, while Walmart reported 1Q results that topped estimates and raised its full-year profit outlook. In Fedspeak, Dallas Fed President Lorie Logan said that the latest economic data doesn't support a pause in rate hikes yet.
- In Europe, the Stoxx 600 index closed up 0.4% d/d, while FTSE 100 gained 0.3% d/d. This is despite shares of British telecoms giant BT falling 5.0% after announcing plans to cut up to 55k jobs following the fiber rollout. Burberry also shed 5.0% d/d after it reported weak demand in the US. In Asia, Nikkei 225 led gains at +1.6% d/d while Hang Seng index rebounded by +0.9% d/d.
- The Treasuries market continued to sell off, sending the 2Y yield 10bps higher at 4.25%, while the 10Y yield rose 8bps to 3.65%. With the exception of the Norwegian bonds, 10Y European bonds yield also closed higher in tune of 9-13 bps.
- DXY rose 0.7% d/d to 103.58 buoyed by the debt ceiling optimism. Amongst the G10 currencies, EUR and GBP weakened between 0.6%-0.7% d/d each, while JPY depreciated 0.8% d/d. In Asia, CNH weakened by 0.6% d/d, while MYR and SGD depreciated by 0.3% and 0.4% d/d respectively to 4.5380 and 1.3479.
- Oil prices retreated between 1.3-1.4% d/d on concerns over the possibility of further interest rate hikes and a strong USD. Similarly, the price of gold also slipped 1.3% d/d.

#### US leading Index and Philly Fed saw narrower declines; existing home sales and initial jobless claims surprised on the downside

- Matching expectations, the contraction in Conference Board's Leading Economic Index (LEI) narrowed to 0.6% in April (March: -1.2%). Weaknesses among sub-components were widespread, with the exception of stock prices and manufacturers' new orders which improved. As it is, the LEI continues to warn of an economic downturn this year.

#### Key Market Metrics

	Level	d/d (%)
<b>Equities</b>		
Dow Jones	33,535.91	0.34
S&P 500	4,198.05	0.94
NASDAQ	12,688.84	1.51
Stoxx Eur 600	465.79	0.39
FTSE 100	7,742.30	0.25
Nikkei 225	30,573.93	1.60
Hang Seng	19,727.25	0.85
Straits Times	3,182.55	0.27
KLCI 30	1,428.04	0.26
<b>FX</b>		
Dollar Index	103.58	0.68
EUR/USD	1.0770	-0.65
GBP/USD	1.2409	-0.62
USD/JPY	138.71	0.75
AUD/USD	0.6622	-0.57
USD/CNH	7.0497	0.60
USD/MYR	4.5380	0.26
USD/SGD	1.3479	0.43
<b>Commodities</b>		
WTI (\$/bbl)	71.86	-1.33
Brent (\$/bbl)	75.86	-1.43
Gold (\$/oz)	1,959.80	-1.26
Copper (\$\$/MT)	8,172.50	-1.56
Aluminum(\$/MT)	2,283.50	-0.57
CPO (RM/tonne)	3,714.00	-1.49

Source: Bloomberg, HLBB Global Markets Research

- Existing home sales fell more than expected by 3.4% m/m to its 3-month low of 4.3m in April (March: -2.6% m/m to 4.4m). The median selling price also fell 1.7% y/y to \$388.8k, but the retreat was due to decreases in the South and the primarily expensive West. As it is, housing sales are bouncing back and forth but remained above recent cyclical lows with the return of spring buying season offset by limited inventory and fluctuating mortgage rates. It should be also noted that distressed and forced property sales are low and stable at 1% of sales.
- The Philadelphia Fed Business Outlook recorded its ninth consecutive negative reading, albeit better than expected at -10.4 in May (Apr: -31.3). All 3 sub-indices rose, albeit still negative, while firms indicated overall increases in prices paid and decreases for prices received. More importantly, its future activity index remained soft, suggesting tempered expectations for growth over the next 6 months.
- Initial jobless claims tumbled more than expected by 22k to 242k for the week ended May 13 (May 6: +22k to 264k), while continuing claims declined 8k to 1799k for the week ended May 6 (Apr 29: +6k to 1807k). Nevertheless, it should be noted that recent data has been distorted, as the decline was aided by efforts in Massachusetts to counter a recent spike in fraudulent claims.

#### **Japan recorded its first fall in imports since 2021**

- Japan recorded its first contraction in imports for the first time in over 2 years and more than expected by -2.3% y/y in April (March: +7.3% y/y). The decline was led by softer commodity prices, namely crude oil and LNG, which helped cushion the slower than expected export growth at +2.6% y/y (March: +4.3% y/y, which was largely driven by car shipments).

#### **Australia's inflation expectations accelerated; unemployment rate inched up to 3.7%**

- The Melbourne Institute's Consumer Inflation Expectation accelerated to +5.2% y/y in May (Apr: +4.6% y/y) after recording three consecutive months of softening prior to that. The institute attributed the spike to the recent federal budget and added that it is unclear whether this will significantly influence the broader trend given weaker inflation expectations prior to that.
- Australia also reported its first increase in unemployment rate for 2023 at 3.7% for April (March: 3.5%). This comes after the employment data unexpectedly contracting 4.3k after having surged +61.1k the previous month. As it is, weaker labour data, coupled with contained wage growth suggests that the RBA will most likely maintain its cash rate at 3.85% when they next meet on June 6.

#### **Hong Kong's unemployment rate eased to 3.0%**

- Hong Kong's labour market continued to improve, with the unemployment rate matching expectations and easing to 3.0% for the 3 months ended April (March: 3.1%). The improvement was driven by and will continue to be supported by ongoing recovery in domestic demand as well as a rebound in tourist arrivals.

#### **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
19-May	UK GfK Consumer Confidence (May)	-30
	JN Natl CPI YoY (Apr)	3.20%
	MA Imports YoY (Apr)	-1.80%
	MA Exports YoY (Apr)	-1.40%
22-May	UK Rightmove House Prices MoM (May)	0.20%
	JN Core Machine Orders MoM (Mar)	-4.50%
	CH 5-Year Loan Prime Rate	4.30%
	CH 1-Year Loan Prime Rate	3.65%
	MA Foreign Reserves	\$114.4b
	HK CPI Composite YoY (Apr)	1.70%
	EC Consumer Confidence (May P)	-17.5

Source: Bloomberg

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