

19 June 2023

Global Markets Research

Daily Market Highlights

19 June: BOJ maintained its ultra-loose monetary policy

Wall Street snapped its 6-day winning streak; jolted by hawkish Fed speaks

UST yields narrowed gains amid bigger than expected easing in 1Y inflation expectations

Vietnam cut interest rates; contraction in Singapore's NODX deepened

- Wall Street pulled back on Friday, but still notched its best week since March. The S&P 500 ticked down 0.4% d/d, as the decline in tech stocks outweighed gains in utilities, materials and consumer staples. Dow Jones Industrial Average also slipped 0.3% d/d, while Nasdaq lost 0.7% d/d. The US markets, meanwhile, will be closed today for the Juneteenth holiday. In Europe, Stoxx 600 index ended 0.5% d/d higher, while FTSE 100 gained 0.2% d/d. In Asia, Nikkei 225 reversed earlier losses to close the day 0.7% d/d higher, after BOJ again left its benchmark interest rate unchanged at -0.1%. Hang Seng index climbed 0.8% d/d.
- The 2Y UST yield closed 7bps higher at 4.71%, while the 10Y added 5bps at 3.76%. The 10Y European bonds yield closed mixed, in tune of -10 to +3bps.
- DXY was choppy but closed fractionally higher by 0.1% d/d at 102.24. GBP strengthened 0.3% d/d after rising to its 14-month high earlier as traders ramped up bets that the BOE will raise rates this week. EUR, on the other hand, weakened 0.1% d/d. In Asia, JPY also weakened 1.1% d/d against the greenback after BOJ maintained its ultra-loose policy, while CNH and SGD depreciated by 0.1% d/d each. MYR strengthened 0.2% d/d to close at 4.6150.
- Oil rose, with Brent and WTI gaining 1.2% d/d and 1.6% d/d respectively on hopes of growing Chinese demand. According to Kuwait Petroleum Corp's CEO, he expects Chinese demand to keep climbing during the second half. Gold wobbled and closed flat as traders juggle hawkish Fed and a weak Dollar.

BOJ maintained its ultra-loose monetary policy

- In a widely anticipated move, the Bank of Japan's 9-member board unanimously decided to maintain its policy rate and 10Y JGB yield target at -0.1% and 0% respectively. Key highlights from the press conference includes: 1) While having an overshoot in inflation was not desirable, Governor Kazuo Ueda said that raising interest rates and letting inflation slip would be more difficult to deal with. 2) While the current inflation rate is higher than BOJ's target of 2%, this was due to cost-push inflation. 3) Ueda noted that while there were signs of wage-push inflation, there was a high degree of uncertainty as to how sustainable was the change in wage-setting behaviour amongst businesses.

US consumer sentiment highest in 4 months as inflation eased

- The University of Michigan's consumer sentiment rose to its highest level in 4 months and more than expected at 63.9 in June (May: 59.2) as inflation

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	34,299.12	-0.32
S&P 500	4,409.59	-0.37
NASDAQ	13,689.57	-0.68
Stoxx Eur 600	466.80	0.53
FTSE 100	7,642.72	0.19
Nikkei 225	33,706.08	0.66
Hang Seng	20,040.37	1.07
Straits Times	3,260.03	0.53
KLCI 30	1,388.61	0.50
FX		
Dollar Index	102.24	0.13
EUR/USD	1.0937	-0.07
GBP/USD	1.2817	0.26
USD/JPY	141.82	1.09
AUD/USD	0.6875	-0.15
USD/CNH	7.1280	0.11
USD/MYR	4.6150	-0.24
USD/SGD	1.3375	0.07
Commodities		
WTI (\$/bbl)	71.78	1.64
Brent (\$/bbl)	76.61	1.24
Gold (\$/oz)	1,958.40	0.03
Copper (\$\$/MT)	8,566.50	0.10
Aluminum(\$/MT)	2,271.00	0.96
CPO (RM/tonne)	3,505.00	0.04

Source: Bloomberg, HLBB Global Markets Research

eased and after policymakers resolved the debt ceiling crisis. Year-ahead inflation expectations, meanwhile, receded for the second consecutive month to its lowest since March 2021 at 3.3% (May: 4.2%), while long-run inflation expectations eased slightly to 3.0% (May: 3.1%).

- The New York Fed Services Business Activity index climbed to its highest reading in 9 months to -5.2 in June (May: -16.8). The business climate index rose 10 points but remained negative, suggesting the business climate remained considerably worse than normal. Employment growth picked up to a modest pace, while wage and price increases moderated. Looking ahead, firms are more positive about future conditions but remain subdued.

Eurozone's labour costs eased in 1Q, May's CPI maintained at +6.1%

- The increase in Eurozone's 1Q labour costs eased to +5.0% y/y in 1Q (4Q: +5.6% y/y), while the final release for May's inflation rate was left unchanged at +6.1% y/y (Apr: +7.0% y/y). Core also eased to +5.3% y/y (Apr: +5.6% y/y) reaffirming expectations of a downward trajectory in price pressures. The decline in headline was largely attributable to lower energy prices, while food and non-energy industrial goods also softened. Services inflation eased, the first decline in 2023 but was mainly due to travel services.

UK house prices unchanged m/m

- According to Rightmove, June house prices were unchanged m/m and softened to 1.1% y/y (May: +1.8% m/m and +1.5% y/y). While buyers were still keen to purchase, as indicated by buyer inquiries up 6% over the last 2 weeks from 2019's pre-pandemic levels, agreed sales were down 6%, signalling uncertainty amongst sellers. Potential buyers were also becoming concerned about affordability. Separately, the BoE/Ipsos Inflation Attitudes survey for the next 12 months softened to 3.5% in May (Apr: +3.9%).

Contraction in Singapore's NODX deepened

- Singapore's non-oil domestic exports (NODX) unexpectedly worsened to -14.7% y/y in May (Apr: -9.8% y/y) with steeper contraction observed for both electronics and non-electronics shipment. The latter was weighed down by specialised machinery, petrochemicals and pharmaceuticals. NODX to the top markets as a whole declined, although NODX to China and the US rose.

Vietnam cut refinancing rates by 50bps to 4.50%

- The State Bank of Vietnam announced that it will cut the refinancing and discount rates by 50bps each to 4.50% and 3.00% wef June 19. The lower refinancing rate will trim banks' cost of funds and enable banks to lower their lending rates to businesses and spur growth. As it is, the manufacturing-led economy is suffering from weak global demand and slower credit growth and the 6.5% GDP target for 2023 remained a tall order at this juncture.

House View and Forecasts

FX	This Week	2Q-23	3Q-23	4Q-23	1Q-24
DX	101-104	100.97	99.96	97.96	96.98
EUR/USD	1.07-1.11	1.10	1.11	1.12	1.13
GBP/USD	1.25-1.29	1.24	1.25	1.24	1.24
USD/JPY	139-143	131	130	128	128
AUD/USD	0.67-0.70	0.68	0.68	0.69	0.70
USD/MYR	4.58-4.65	4.39	4.35	4.31	4.28
USD/SGD	1.33-1.35	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	4.00	4.00	4.25	4.25	4.25
BOE	4.50	4.75	4.75	4.75	4.75
BOJ	-0.10	-0.10	-0.10	-0.10	-0.10
RBA	4.10	4.10	4.10	4.10	4.10
BNM	3.00	3.00	3.00	3.00	3.00

Source: HLBB Global Markets Research

Up Next

Date	Events	Prior
19-June	HK Unemployment Rate SA (May)	3.00%
	US NAHB Housing Market Index (Jun)	50
20-June	CH 5-Year Loan Prime Rate	4.30%
	CH 1-Year Loan Prime Rate	3.65%
	AU RBA Minutes of June Policy Meeting	
	MA Imports YoY (May)	-11.10%
	MA Trade Balance MYR (May)	12.85b
	MA Exports YoY (May)	-17.40%
	JN Industrial Production MoM (Apr F)	-0.40%
	HK CPI Composite YoY (May)	2.10%
	US Building Permits (May)	1416k
	US Philadelphia Fed Non-Manufacturing Activity (Jun)	-16
	US Housing Starts (May)	1401k

Source: Bloomberg

Hong Leong Bank Berhad

Fixed Income & Economic Research, Global
Markets
Level 8, Hong Leong Tower
6, Jalan Damanlela
Bukit Damansara
50490 Kuala Lumpur
Tel: 603-2081 1221
Fax: 603-2081 8936

HLMarkets@hlbb.hongleong.com.my

DISCLAIMER

This report is for information purposes only and does not take into account the investment objectives, financial situation or particular needs of any particular recipient. The information contained herein does not constitute the provision of investment advice and is not intended as an offer or solicitation with respect to the purchase or sale of any of the financial instruments mentioned in this report and will not form the basis or a part of any contract or commitment whatsoever.

The information contained in this publication is derived from data obtained from sources believed by Hong Leong Bank Berhad ("HLBB") to be reliable and in good faith, but no warranties or guarantees, representations are made by HLBB with regard to the accuracy, completeness or suitability of the data. Any opinions expressed reflect the current judgment of the authors of the report and do not necessarily represent the opinion of HLBB or any of the companies within the Hong Leong Bank Group ("HLB Group"). The opinions reflected herein may change without notice and the opinions do not necessarily correspond to the opinions of HLBB. HLBB does not have an obligation to amend, modify or update this report or to otherwise notify a reader or recipient thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

HLB Group, their directors, employees and representatives do not have any responsibility or liability to any person or recipient (whether by reason of negligence, negligent misstatement or otherwise) arising from any statement, opinion or information, expressed or implied, arising out of, contained in or derived from or omission from the reports or matter.

Potential and actual conflict of interest may arise from the activities of HLB Group. HLB Group constitute a diversified financial services group. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, hedging transactions and other activities for their own account or the account of others. In the ordinary course of their business, HLB Group may effect transactions for their own account or for the account of their customers and hold long or short positions in the financial instruments. HLB Group, in connection with its business activities, may possess or acquire material information about the financial instruments. Such activities and information may involve or have an effect on the financial instruments. HLB Group have no obligation to disclose such information about the financial instruments or their activities.

The past performance of financial instruments is not indicative of future results. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Any projections or forecasts mentioned in this report may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information. No assurance can be given that any opinion described herein would yield favourable investment results. Recipients who are not market professional or institutional investor customer of HLBB should seek the advice of their independent financial advisor prior to taking any investment decision based on the recommendations in this report.

HLBB may provide hyperlinks to websites of entities mentioned in this report, however the inclusion of a link does not imply that HLBB endorses, recommends or approves any material on the linked page or accessible from it. Such linked websites are accessed entirely at your own risk. HLBB does not accept responsibility whatsoever for any such material, nor for consequences of its use.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. This report is for the use of the addressees only and may not be redistributed, reproduced or passed on to any other person or published, in part or in whole, for any purpose, without the prior, written consent of HLBB. The manner of distributing this report may be restricted by law or regulation in certain countries. Persons into whose possession this report may come are required to inform themselves about and to observe such restrictions. By accepting this report, a recipient hereof agrees to be bound by the foregoing limitations.