

20 January 2023

**Global Markets Research**
**Daily Market Highlights**

## 20 Jan: Stocks notched 3rd day of losses on growth jitters

**Fed's Lael Brainard said that rates will need to stay elevated for a period**

**Equities, UST and DXY all closed lower**

**BNM unexpectedly maintained OPR at 2.75%**

- US stocks fell for the third day as risks from rising interest rates to economic growth and earnings kept a grip on sentiments. The Dow Jones Industrial Average lost 0.8% d/d, the S&P 500 fell 0.8% d/d while Nasdaq Composite shed 1.0% d/d. Federal Reserve Governor Lael Brainard meanwhile, said that rates will need to stay elevated for a period to further cool inflation. Considered a dove, she did not however state a preference for whether the Fed should downshift. Earnings, meanwhile, provided little respite with shares of P&G sliding 2.1% d/d after reporting shrinking sales volume.
- European markets retreated on Thursday, tracking weaker global sentiment as investors gauge the economic outlook, a topic high on the agenda at the World Economic Forum in Davos this week. Stoxx EUR 600 and FTSE 100 lost 1.6% d/d and 1.1% d/d respectively. In Asia, Nikkei 225 traded down 1.4% d/d, while Hang Seng index fell 0.1% d/d.
- Treasuries remained under pressure, with both the 2 and 10-year yields rising 3 bps each to 4.12% and 3.40% respectively. This mirrored German bunds after the head of ECB reaffirmed her hawkish move.
- The dollar wavered as traders digest data to get clues on Fed's next move amidst comments from the officials. The Dollar Index ticked lower by 0.3% d/d to 102.06. GBP and EUR strengthened 0.3%-0.4% d/d each, while JPY rebounded to appreciate by 0.4% d/d. Both the CNH and SGD weakened slightly by less than 0.1% d/d each. USD/MYR spiked to its high of 4.3245 vis-à-vis USD post BNM announcement but quickly strengthened after that. MYR closed the day 0.2% d/d stronger at 4.3073.
- Oil prices settled higher, extending a recent rally built around rising Chinese demand. Brent gained 2.1% d/d, while the West Texas Intermediate (WTI) crude rose 1.8% d/d. Prices came under pressure briefly after US Energy Information Administration (EIA) data showed US crude stocks last week rose by 8.4m barrels, their biggest gain since June 2021. Gold prices rose 1.4% d/d supported by a weaker dollar and some safe-haven demand.

**BNM unexpectedly maintained OPR at 2.75%**

- In a largely surprised move, BNM left the OPR unchanged at 2.75% at the January MPC meeting, its first pause after four consecutive hikes totalling 100bps since May-2022. The monetary policy statement cited the need to assess the impact of the cumulative past OPR adjustments, given the lag

**Key Market Metrics**

	Level	d/d (%)
<b>Equities</b>		
Dow Jones	33,044.56	-0.76
S&P 500	3,898.85	-0.76
NASDAQ	10,852.27	-0.96
Stoxx Eur 600	450.45	-1.55
FTSE 100	7,747.29	-1.07
Nikkei 225	26,405.23	-1.44
Hang Seng	21,650.98	-0.12
Straits Times	3,276.18	-0.41
KLCI 30	1,496.22	0.05
<b>FX</b>		
Dollar Index	102.06	-0.33
EUR/USD	1.0833	0.36
GBP/USD	1.2391	0.35
USD/JPY	128.43	-0.36
AUD/USD	0.6910	-0.48
USD/CNH	6.7707	0.02
USD/MYR	4.3073	-0.20
USD/SGD	1.3217	0.07
<b>Commodities</b>		
WTI (\$/bbl)	80.58	1.82
Brent (\$/bbl)	86.38	2.06
Gold (\$/oz)	1,933.80	1.44
Copper (\$\$/MT)	9,323.00	0.37
Aluminum(\$/MT)	2,587.00	-1.11
CPO (RM/tonne)	3,849.50	0.59

Source: Bloomberg, HLBB Global Markets Research

effects it has on the economy. Meantime, the central bank provided a largely unchanged assessment on growth and inflation outlook, where growth risks remained tilted to the downside whilst inflation to the upside.

- Taking cue from the somewhat hawkish statement signalling intention for further policy normalization, we believe BNM stands ready to raise the OPR by a further 25-50bps back to pre-pandemic level of 3.00-3.25%, barring any new shocks. Afterall, BNM reiterated that the current policy rate at 2.75% remained accommodative and supportive of growth.

#### **Mixed housing data; labour market remained tight with jobless claims unexpectedly declined**

- Housing starts fell less than expected by 1.4% m/m in December (Nov: -1.8% m/m), hitting its 5-month low at 1382k. Building permits, which can be a bellwether for future home construction, on the other hand, unexpectedly declined 1.6% m/m (Nov: -10.6% m/m).
- Philadelphia Fed Business Outlook fell less than expected to -8.9 in January (Dec: -13.7). The survey's general activity, new orders and shipments sub-indices rose m/m, but the former two remained negative. The employment index rebounded, while firms reported overall increases in prices. Most future indicators were positive, but expectations for growth over the next six months were not widespread.
- In the week ending 14 Jan, initial jobless claims unexpectedly fell 15k to 190k (Jan 7: -1k to 205k), the lowest since Sept and a level consistent with a tight labour market. Continuing claims, meanwhile, rose less than expected to 1647k for the week ending 7 Jan (30 Dec: 1630k).

#### **Eurozone's current account swung to surplus**

- Eurozone current account balance swung back to a surplus of EUR13.6bn in November (Oct: -EUR0.5bn) on an improved balance in the trade of goods and services. The euro zone ran current account surpluses for years but a surge in energy costs last year had pushed it into a deficit.

#### **UK House price balance worsened more than expected at -42**

- RICS reported that house price balance worsened more than expected in December at -42 (Nov: -26). Notably, the sub-indices worsened across board with the exception of new buyer enquiries balance which has stayed largely unchanged, albeit at negative territory.

#### **HK unemployment rate dipped to 3.5%**

- Hong Kong's unemployment rate fell more than expected to 3.5% in 4Q (Sept-Nov: 3.7%), with notable decreases seen in the construction, retail, transportation and education sectors. With most social distancing measures removed and travel resumed between Hong Kong and the Mainland, domestic economic activities are likely to show a more visible revival, lending support to the labour market going forward. Tightened financial conditions may, nevertheless, partly offset the positive effects.

#### **Australia employment took a surprised dip, unemployment rate held steady at 3.5%**

- Australia's job market unexpectedly shrank in December with the number of employed people falling by 14.6k (Nov: +58.3k). In tandem with this, both the participation and unemployment rate also came below expectations at 66.6% (Nov: 66.8%) and 3.5% (Nov: 3.5%) respectively.

### Japan's logged 22nd straight month of export growth

- Japan's trade deficit narrowed more than expected at 1.4 trillion yen in December (Nov: -2.0 trillion yen) in a sign that the impact from weak yen and high energy costs has begun to soften. Imports slowed more than forecast at +20.6% y/y (Nov: +30.3% y/y) as import bump contribution from crude oil and LNG shrank. Growth in exports also softened less than expected to +11.5% y/y (Nov: +20.0% y/y), supported by overseas demand for autos and mineral fuels. By destination, U.S. and EU-bound exports led growth.

### House View and Forecasts

FX	This Week	1Q-23	2Q-23	3Q-23	4Q-23
DXY	101-106	98.00	96.04	96.04	96.04
EUR/USD	1.07-1.10	1.10	1.11	1.11	1.11
GBP/USD	1.19-1.25	1.26	1.27	1.27	1.27
USD/JPY	126-132	130	128	128	128
AUD/USD	0.67-0.71	0.70	0.72	0.72	0.72
USD/MYR	4.28-4.35	4.31	4.28	4.28	4.28
USD/SGD	1.31-1.34	1.32	1.30	1.30	1.30

Rates, %	Current	1Q-23	2Q-23	3Q-23	4Q-23
Fed	4.25-4.50	4.75-5.00	4.75-5.00	4.75-5.00	4.75-5.00
ECB	2.50	3.00	3.00	3.00	3.00
BOE	3.50	4.00	4.00	4.00	4.00
BOJ	-0.10	-0.10	-0.10	-0.10	-0.10
RBA	3.10	3.35	3.35	3.35	3.35
BNM	2.75	3.00	3.00	3.00	3.00

Source: HLBB Global Markets Research

### Up Next

Date	Events	Prior
20-Dec	JN Natl CPI YoY (Dec)	3.80%
	UK GfK Consumer Confidence (Jan)	-42
	CH 5-Year Loan Prime Rate	4.30%
	CH 1-Year Loan Prime Rate	3.65%
	MA CPI YoY (Dec)	4.00%
	UK Retail Sales Inc Auto Fuel MoM (Dec)	-0.40%
	MA Foreign Reserves (Dec)	114.6bn
	HK CPI Composite YoY (Dec)	1.80%
	US Existing Home Sales MoM (Dec)	-7.70%
	23-Dec	UK Rightmove House Prices YoY (Jan)
US Leading Index (Dec)		-1.00%
EC Consumer Confidence (Jan P)		-22.2

Source: Bloomberg

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