Hong Leong Bank

20 February 2023

Global Markets Research

Daily Market Highlights

20 Feb: Renewed rate fears sent Wall Street tumbling

S&P 500, Nasdaq fell on renewed rate angst; UST recovered from recent losses

DXY rallied to 104.67, firmest since Jan 5 before closing flat at 103.86

Contraction in US leading index moderated; still signals recession

- The S&P 500 and Nasdaq extended sell-off on Friday on renewed rate angst. S&P dipped 0.3% d/d, while Nasdaq tumbled 0.6% d/d, though early losses were pared. Dow Jones turned positive by 0.4% d/d, paced by Merck. Fed speaks on Friday include Federal Reserve Bank of Richmond President Thomas Barkin who commented that he favours a 25bps rate hike to give the central bank flexibility in its quest to tamp down inflation. Fed Governor Michelle Bowman, meanwhile, said that the Fed should keep raising rates since inflation remains so high.

- Stoxx 600 ran out of steam on Friday, ending the session 0.2% d/d lower after it bucked the global trend to post gains throughout the rest of the week. FTSE 100 dipped slightly by 0.1% d/d. Stocks in Asia also traded lower with both Nikkei 225 and Hang Seng falling 0.7% d/d and 1.3% d/d respectively.

- Treasuries recovered after early week losses correcting from the recent selloff that resulted in the market testing fresh highs. The 2-year yield slid 2bps to 4.62%, while the benchmark 10-year fell 5bps to 3.82%.

- The Dollar Index climbed to as high as 104.67 in early trading, the firmest since January 5, but tumbled through the session to close the day flat at 103.86. Over in Europe, both the EUR and GBP closed the day 0.2% d/d and 0.4% d/d stronger. In contrast, Asian currencies were slightly battered, with the JPY and CNH depreciating by 0.2% d/d and 0.1% d/d respectively. SGD closed flat at 1.3364, while MYR weakened 0.7% d/d against greenback to close at 4.4350.

- Oil capped its longest string of daily losses this year, with the West Texas Intermediate dropping by 2.7% d/d to $76.34/barrel on supply-driven bears. Brent also slid 2.5% d/d to $83.00/barrel, while the price of gold edged down marginally by 0.1% d/d.

Contraction in US Leading Index moderated

- The Conference Board's Leading Economic Index (LEI) remained on a downward trajectory but its rate of decline moderated as per expectations to -0.3% in January (Dec: -0.8%). The LEI is now down 3.6% over the 6-month period between July 2022 and January 2023, a steeper rate of decline than its 2.4% contraction over the previous 6-months period. While the LEI continues to signal recession in the near term, indicators related to the labour market remained robust so far. Nonetheless, high inflation, rising interest rates, and

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	33,826.69	0.39
S&P 500	4,079.09	-0.28
NASDAQ	11,787.27	-0.58
Stoxx Eur 600	464.30	-0.20
FTSE 100	8,004.36	-0.10
Nikkei 225	27,513.13	-0.66
Hang Seng	20,719.81	-1.28
Straits Times	3,328.37	0.52
KLCI 30	1,476.90	-0.50
FX		
Dollar Index	103.86	0.01
EUR/USD	1.0695	0.20
GBP/USD	1.2037	0.37
USD/JPY	134.15	0.16
AUD/USD	0.6879	0.00
USD/CNH	6.8738	0.08
USD/MYR	4.4350	0.71
USD/SGD	1.3364	0.01
Commodities		
WTI ($/bbl)	76.34	-2.74
Brent ($/bbl)	83.00	-2.51
Gold ($/oz)	1,840.40	-0.09
Copper ($$/MT)	8,987.50	-0.39
Aluminum($/MT)	2,387.50	-0.27
CPO (RM/tonne)	3,998.00	2.21

Source: Bloomberg, HLBB Global Markets Research contracting consumer spending could still tip the US economy into a shallow recession for the year.

- Import prices decreased more than expected by 0.2% m/m in January (Dec: -0.1% m/m) as extended nosedive in fuel prices more than offset higher nonfuel prices led by food, feeds, and beverages, capital goods, automotive vehicles and consumer goods. This should provide some encouraging news on the inflation front after the stronger than expected CPI and PPI numbers recently. Export prices, meanwhile, unexpectedly rebounded by +0.8% m/m (Dec: 3.2% m/m) on the back of higher prices for non-agricultural industrial supplies and materials, capital goods, automotive vehicles and consumer goods.

Eurozone's current account surplus widened on goods surplus

- Normalcy is resuming in Europe as the current account balance stayed in positive territory for a second month running at €15.9bn (Nov: €12.8). The wider surplus for the month was primarily driven by a wider net inflow in the goods account at €8.2bn (Nov: €7.8). As it is, the surge in energy imports amidst the Russia-Ukraine conflict was the main culprit responsible for the deficit for the better part of 2022 but that has abated considerably.

UK retail sales rose more than expected but picture remained weak

- British retail sales unexpectedly rose by 0.5% m/m in January (Dec: -1.2% m/m) but the overall picture remained one of weak demand as sales volumes were 1.4% below their pre-COVID levels. The pick-up also reflected higher fuel sales, while discounts helped boost sales for online retailers as well as jewellers, cosmetic stores and carpet and furnishing shops. Clothing store sales also fell sharply while food store sales fell as consumers hunted for cheaper products to ease their cost-of-living squeeze.

Singapore's NODX worsened more than expected

- Singapore's non-oil domestic exports (NODX) tumbled more than expected by 25.0% y/y in January (Dec- 20.6% y/y), partially attributable to high base a year ago. Specifically, electronic exports shed 26.8% y/y (Dec: -17.9% y/y). Exports to the top 10 markets as a whole declined, though NODX to EU27 and Japan rose. The largest contributors to the decline in NODX were China, US and Hong Kong.

House View and Forecasts

FX	This Week	1Q-23	2Q-23	3Q-23	4Q-23
DXY	103-105	101.4	100.9	99.9	98.9
EUR/USD	1.05-1.08	1.09	1.10	1.10	1.10
GBP/USD	1.18-1.21	1.22	1.23	1.23	1.23
USD/JPY	131-135	128	127	127	126
AUD/USD	0.67-0.70	0.69	0.69	0.70	0.71
USD/MYR	4.37-4.45	4.38	4.36	4.32	4.27
USD/SGD	1.33-1.35	1.32	1.30	1.28	1.26

Rates, %	Current	1Q-23	2Q-23	3Q-23	4Q-23
Fed	4.50-4.75	4.75-5.00	4.75-5.00	4.75-5.00	4.75-5.00
ECB	3.00	3.50	3.50	3.50	3.50
BOE	4.00	4.25	4.25	4.25	4.25
BOJ	-0.10	-0.10	-0.10	-0.10	-0.10
RBA	3.35	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
20-Feb	UK Rightmove House Prices MoM (Feb)	0.90%
	CH 5-Year Loan Prime Rate	4.30%
	CH 1-Year Loan Prime Rate	3.65%
	MA Imports YoY (Jan)	12.00%
	MA Trade Balance MYR (Jan)	27.76b
	MA Exports YoY (Jan)	6.00%
	EC Consumer Confidence (Feb P)	-20.9
21-Feb	NZ PPI Input QoQ (4Q)	0.80%
	NZ PPI Output QoQ (4Q)	1.60%
	AU Judo Bank Australia PMI Mfg (Feb P)	50
	AU Judo Bank Australia PMI Services (Feb P)	48.6
	AU RBA Minutes of Feb. Policy Meeting	
	JN Jibun Bank Japan PMI Mfg (Feb P)	48.9
	JN Jibun Bank Japan PMI Services (Feb P)	52.3
	EC S&P Global Eurozone Manufacturing PMI (Feb P)	48.8
	EC S&P Global Eurozone Services PMI (Feb P)	50.8
	UK S&P Global/CIPS UK Manufacturing PMI (Feb P)	47
	UK S&P Global/CIPS UK Services PMI (Feb P)	48.7
	EC ZEW Survey Expectations (Feb)	16.7
	US Philadelphia Fed Non-Manufacturing Activity (Feb)	-6.5
	US S&P Global US Manufacturing PMI (Feb P)	46.9
	US S&P Global US Services PMI (Feb P)	46.8
	US Existing Home Sales MoM (Jan)	-1.50%

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.