

20 April 2023

Global Markets Research

Daily Market Highlights

20 April: UK gilts led sell-off in the bond market

2Y and 10Y yields for gilts jumped 14 & 11bps; UK's inflation remained sticky above 10%

Beige Book: Overall activity little changed; Some banks tightened lending standards

Malaysia's exports fell 1.4%, imports also reported a small negative print of 1.8%

- Wall Street was muted for the second day despite most corporate earnings topping estimates. Both the S&P 500 and NASDAQ closed near the flatline, but Dow Jones Industrial Average fell 0.2% d/d. Netflix shares fell 3.2% d/d as the company added more subscribers than expected, but fell short of revenue estimates. Earnings from major banks wrapped up with Morgan Stanley gaining 0.7% as net revenue topped estimates. Despite strong results, the stock initially trended lower amidst a slowdown in its investment banking business.
- European stock markets closed slightly lower, with both Stoxx 600 and FTSE 100 slipping 0.1% d/d each. Asian markets traded mixed, but mostly in the red. Amongst the major indices, Nikkei 225 dipped 0.2% d/d, while Hang Seng was 1.4% d/d lower.
- In the US treasuries market, the front end of the curve underperformed, with the 2Y closing up 5bps to 4.24% and the 10Y 2bps higher at 3.59%. The 10Y European bond yields closed the day higher between 2 to 11bps. Of note, UK's 2Y gilts led the day's sell off with the 2Y jumping 14bps to 3.79% and the 10Y climbing 11bps to 3.85%.
- DXY strengthened 0.2% d/d to 101.97, lifted by the higher UST yields. GBP, nevertheless gained 0.1% d/d against the greenback after British inflation stayed sticky above 10%, putting more pressure for BOE to keep raising rates. EUR weakened 0.2% d/d, while JPY depreciated 0.5% d/d. CNH, MYR and SGD weakened in tune of 0.1%-0.2% d/d each to 6.8950, 4.4410 and 1.3345.
- Oil prices settled 2.0%-2.1% d/d lower as traders zoomed in on the lacklustre demand data from the weekly EIA report. Gold prices fell 0.6% d/d, pressured by stronger USD and prices slid slightly below the key \$2k/oz benchmark.

Beige Book: Banks tightened lending standards

- Key highlights from the Beige Book include: 1) Overall activity and expectations for further growth was little changed. 2) Several Districts reporting that banks tightened lending standards amidst increased uncertainty and concerns about liquidity. 3) Employment and wage growth moderated, but the latter remained elevated. A small number of firms reported mass layoffs and mostly centered at a subset of the largest companies. 4) Slower rate of price increases generally. 5) On a positive note, tourism, demand for non-financial services and auto sales remained steady, with a couple of districts reporting improved sales for the latter.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	33,897.01	-0.23
S&P 500	4,154.52	-0.01
NASDAQ	12,157.23	0.03
Stoxx Eur 600	468.13	-0.10
FTSE 100	7,898.77	-0.13
Nikkei 225	28,606.76	-0.18
Hang Seng	20,367.76	-1.37
Straits Times	3,324.05	0.44
KLCI 30	1,425.07	-0.51
FX		
Dollar Index	101.97	0.22
EUR/USD	1.0955	-0.15
GBP/USD	1.2439	0.11
USD/JPY	134.72	0.45
AUD/USD	0.6713	-0.18
USD/CNH	6.8950	0.18
USD/MYR	4.4410	0.16
USD/SGD	1.3345	0.14
Commodities		
WTI (\$/bbl)	79.16	-2.10
Brent (\$/bbl)	83.12	-1.95
Gold (\$/oz)	1,995.20	-0.61
Copper (\$\$/MT)	8,965.50	-0.52
Aluminum(\$/MT)	2,445.00	0.33
CPO (RM/tonne)	4,212.50	1.43

Source: Bloomberg, HLBB Global Markets Research

- The 13bps increase in mortgage rate to 6.43% resulted in a pullback in mortgage applications by --8.8% w/w for the week ended April 14 (Apr 7: +5.3% w/w). In the accompanying statement, the Mortgage Bankers Association also noted that banks are less willing to hold jumbo loans.

Euro inflation rate left unchanged at +6.9%, core at +5.7%

- The final reading of Eurozone's headline and core inflation was left unchanged at +6.9% y/y (Feb: +8.5% y/y) and +5.7% y/y (Feb: +5.6% y/y) respectively. The drop in headline was primarily driven by a fall in energy prices, while services inflation accelerated to +5.1% y/y (Feb: +4.8% y/y).

UK inflation rate sticky above 10%

- UK's inflation rate decelerated less than expected to 10.1% y/y in March (Feb: +10.4% y/y), while core prices unexpectedly held steady at +6.2% y/y (Feb: +6.2% y/y). The largest upward contributions to inflation remained in housing and household services, principally from electricity, gas and other fuels, as well as food and non-alcoholic beverages. Similar to CPI, producer prices, both input and output, also softened less than expected by 7.6% y/y (Feb: +12.8% y/y) and 8.7% y/y (Feb: +11.9% y/y) respectively. Commenting on the latest CPI data, Finance Minister Jeremy Hunt said that inflation above 10% is destabilising and reaffirmed why the government must continue efforts to drive down inflation.
- UK House Price Index continued to decelerate for the fourth consecutive month, albeit less than expected by +5.5% y/y in February (Jan: +6.5% y/y).

Australia's Leading Index edged down marginally

- The contraction in Westpac Leading Index narrowed to -0.01% m/m in March (Feb: -0.06% m/m). This is the 8th consecutive month of negative print, suggesting a sub-par growth for the economy. Of note, there have been shifts in component contributions in the past 6 months, with weaker dwelling approvals, commodity prices and US IPI offsetting improved equity markets.

Malaysia's exports posted a marginal decline in March

- As expected, exports fell by a marginal 1.4% y/y in March (Feb: +9.8% y/y), while imports also reported a small negative print of 1.8% y/y (Feb: +12.4% y/y). These marked the first declines since Aug-20 and Nov-20 respectively, offering the first sign of weakening exports as overseas demand slowed in tandem with a softening world growth prospect, taking the brunt of higher inflation and earlier policy tightening. On a monthly basis, both exports and imports managed to bounce back by 15.5% and 11.1% m/m respectively, from a shorter February month.
- Resurging global recession risk is expected to continue exert downward pressure on Malaysia's exports going forward. Slower demand from the majors like the US and EU, which accounted for close to a fifth of Malaysia's total exports, are expected to be cushioned by potential demand pick-up from China further supported by demand from neighbouring ASEAN which made up 13% and 29% of total Malaysian exports. Current downcycle in the global semiconductor industry coupled with subdued crude oil and CPO prices are also expected to dampen Malaysia's exports outlook. We are pencilling in more negative export prints in the months ahead, translating to stagnant to even small contraction in overall exports for the year.

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
20-Apr	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
21-Apr	AU Judo Bank Australia PMI Mfg (Apr P)	49.1
	AU Judo Bank Australia PMI Services (Apr P)	48.6
	UK GfK Consumer Confidence (Apr)	-36
	JN Natl CPI YoY (Mar)	3.30%
	JN Jibun Bank Japan PMI Mfg (Apr P)	49.2
	JN Jibun Bank Japan PMI Services (Apr P)	55.0
	UK Retail Sales Inc Auto Fuel MoM (Mar)	1.20%
	MA Foreign Reserves	\$115.5bn
	EC S&P Global Eurozone Manufacturing PMI (Apr P)	47.3
	EC S&P Global Eurozone Services PMI (Apr P)	55.0
	HK CPI Composite YoY (Mar)	1.70%
	UK S&P Global/CIPS UK Manufacturing PMI (Apr P)	47.9
	UK S&P Global/CIPS UK Services PMI (Apr P)	52.9
	US S&P Global US Manufacturing PMI (Apr P)	49.2
	US S&P Global US Services PMI (Apr P)	52.6

Source: Bloomberg

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