

20 June 2023

Global Markets Research

Daily Market Highlights

20 June: Yield on UK gilts spiked on rate hike bets

US markets were closed; European markets under pressure on growth jitters

Yield on 2Y UK gilts jumped 14bps in anticipation of 25bps rate hike by the BOE this week

China's loan prime rates and RBA minutes in focus today

- While the US equities and bonds markets were closed for the Juneteenth holiday, European markets fell at the start of the new trading week as investors remained jittery over the economic outlook. Stoxx 600 closed 1.0% d/d lower, while FTSE 100 dipped 0.7% d/d with AstraZeneca contributing the most to the index decline amidst plans to spin-off its China business. Asian markets also largely fell, with Nikkei 225 slipping 1.0% d/d and Hang Seng falling 0.6% d/d.
- The 10Y European bonds yield closed up between 2 to 9 bps. Of note, the yield on 2Y gilts reached 5.00% for the first time since 2008 on expectations that the BOE will hike the policy rate by 25bps this week in view of the still high inflation and a strong labor market. Yield on the 2Y gilts closed the day 14bps higher at 5.06%.
- DXY closed higher by 0.3% d/d at 102.52 on holiday-thinned trading with focus on the US-China talk. EUR and GBP depreciated by 0.2% d/d each. In Asia, JPY closed little changed, weakening 0.1% d/d to 141.98 the day after the BOJ maintained its ultra-loose policy. Polls carried out over the weekend also showed that support for Japanese Prime Minister Fumio Kishida fell, threatening his prospects in the general election. CNH also weakened by 0.5% d/d, while both the SGD and MYR depreciated by 0.3% d/d each to close at 1.3410 and 4.6307.
- Brent slid 0.7% d/d to \$76.09/barrel on China growth uncertainties.

US building confidence turned positive

- Solid demand, lack of inventory and improved supply chain boosted builder confidence into positive territory for the first time in 11 months., sending the NAHB/Wells Fargo Housing Market Index (HMI) rising more than expected to 55 in June (May: 50). In a sign of optimism, both the current and future sales components of the HMI exceeded 60 and builders have started to gradually pull back on sales incentives.

Hong Kong's unemployment rate held steady at 3.0%

- Hong Kong's unemployment rate unexpectedly held steady but remained low at 3.0% for the 3-months ended May. Of note, the combined unemployment rate of the consumption- and tourism-related sectors remained unchanged at 4.2%, while unemployment rates for the construction, wholesale, human

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	462.04	-1.02
FTSE 100	7,588.48	-0.71
Nikkei 225	33,370.42	-1.00
Hang Seng	19,912.89	-0.64
Straits Times	3,241.17	-0.58
KLCI 30	1,387.33	-0.09
FX		
Dollar Index	102.52	0.27
EUR/USD	1.0921	-0.15
GBP/USD	1.2792	-0.20
USD/JPY	141.98	0.11
AUD/USD	0.6851	-0.35
USD/CNH	7.1640	0.51
USD/MYR	4.6307	0.34
USD/SGD	1.3410	0.26
Commodities		
WTI (\$/bbl)	71.78	1.64
Brent (\$/bbl)	76.09	-0.68
Gold (\$/oz)	1,958.40	0.03
Copper (\$\$/MT)	8,540.00	-0.31
Aluminum(\$/MT)	2,241.00	-1.32
CPO (RM/tonne)	3,747.50	6.92

Source: Bloomberg, HLBB Global Markets Research
 * Dated as of 16th June for Dow Jones, S&P 500, Nasdaq, WTI and gold

health and social work activities sectors declined in tandem with a rebound in tourist arrivals as well as improved economic activities.

House View and Forecasts

FX	This Week	2Q-23	3Q-23	4Q-23	1Q-24
DXY	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
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
21-June	US Housing Starts (May)	1401k
	AU Westpac Leading Index MoM (May)	-0.03%
	UK CPI YoY (May)	8.70%
	UK PPI Output NSA YoY (May)	5.40%
	UK House Price Index YoY (Apr)	4.10%
	UK CBI Trends Total Orders (Jun)	-17
	US MBA Mortgage Applications	7.20%

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

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