21 February 2023

Global Markets Research

Daily Market Highlights

21 Feb: PBoC stood pat; RBA minutes in focus today

US financial markets were closed; DXY held steady at 103.90 ahead of FOMC minutes

Eurozone's consumer confidence rose to the highest in a year; below long-term average

Malaysia's exports growth decelerated more than expected to 1.6% y/y in January

- The US financial markets were closed for the Presidents' Day holiday.

- In Europe, markets closed slightly higher after a choppy day of trading, with attention this week focused on the upcoming FOMC minutes. Both the Stoxx 600 and FTSE 100 closed up 0.1% d/d each. In Asia, Nikkei 225 and Hang Seng gained 0.1% d/d and 0.8% d/d respectively. CSI300 also closed the day up 2.5% d/d after the People's Bank of China (PBOC) left its 1-year and 5-year prime loan rates unchanged, as was widely expected. A report from Goldman Sachs seeing an economic shift from "reopening to recovery" driving Chinese stocks as much as 24% higher by the end of this year also added to the flow of news.

- In quiet trade, the German 2-year yield rose 3bps to 2.88%. Traders priced in the risk that ECB will hike rates as high as 3.72% by September. ECB Governing Council member Olli Rehn, meanwhile, said that the central bank will likely be done raising rates in summer. The yield on the 10-year bund also rose 2bps to 2.45%. The 10-year gilt, on the other hand, fell by 4bps to 3.47%. Gilts were boosted after the UK government's latest bond sale produced a cover ratio of 3%. The yield on the 2-year gilt also dipped 4bps to 3.69%.

- The Dollar Index held steady at 103.86 following a weekend of no cooling in US-China tension as well as ahead of the FOMC minutes. While EUR depreciated 0.1% d/d, the GBP and JPY appreciated by less than 0.1% d/d each. AUD strengthened by 0.5% d/d, while CNH gained 0.2% d/d. Both the MYR and SGD strengthened by around 0.1% d/d each to 4.4303 and 1.3358 respectively.

- Price of Brent rose 1.3% d/d on hopes of a Chinese demand rebound.

China maintained key lending rates

- As per expectations, the People's Bank of China (PBOC) left its 1- and 5-year loan prime rate unchanged at 3.65% and 4.30% respectively. Moving forward, consensus is expecting key rates to be maintained at these levels for the rest of 2023 but we will not discount possibilities of a rate cut at this juncture pending clarity on the state of the economy post-reopening. As it is, exports have weakened and domestic demand will need to play a bigger role in sustaining the economy.

Eurozone's consumer confidence rose to the highest in a year

- Matching expectations, consumer confidence rose to -19.0 in February (Jan: -20.7). This is the highest in a year, but is still well below the long-term average.

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	464.64	0.07
FTSE 100	8,014.31	0.12
Nikkei 225	27,531.94	0.07
Hang Seng	20,886.96	0.81
Straits Times	3,308.75	-0.59
KLCI 30	1,473.46	-0.23
FX		
Dollar Index	103.86	0.00
EUR/USD	1.0686	-0.08
GBP/USD	1.2041	0.03
USD/JPY	134.25	0.07
AUD/USD	0.6908	0.42
USD/CNH	6.8595	-0.21
USD/MYR	4.4303	-0.11
USD/SGD	1.3358	-0.04
Commodities		
WTI ($/bbl)	76.34	-2.74
Brent ($/bbl)	84.07	1.29
Gold ($/oz)	1,840.40	-0.09
Copper ($$/MT)	9,141.50	1.71
Aluminum($/MT)	2,457.50	2.93
CPO (RM/tonne)	3,998.00	2.21

Source: Bloomberg, HLBB Global Markets Research
*Closing as of 17th Feb for Dow Jones, S&P 500, NASDAQ, WTI and gold

The improved sentiment, nevertheless, raised hopes that the region can dodge a recession this year.

- Production in the construction sector contracted by 2.5% m/m in December (Nov: -0.1% m/m), with an 8.0% m/m plunge (Nov: -1.8% m/m) in Germany.

UK residential property prices recorded smallest increase on record for a February

- According to Rightmove, average asking prices for British residential property rose at the smallest pace on record for a February, with no change (Jan: +0.9% m/m). Asking prices usually rise at this time of the year, which marks the start of the spring selling season and a flat average asking price indicates pricing restraint. On a y/y basis however, asking prices were still 3.9% higher (Jan: +6.3%).

Australia's PMIs improved with manufacturing sector expanding

- The Judo Bank Flash Australia Services PMI Business Activity Index rose to 49.2 in February (Jan: 48.6). This marked a fifth straight month of contraction in services activity, albeit the slowest since last October. Service providers nevertheless continued to hire to fulfil existing demand and in anticipation of future activity growth, with sentiment across the Australian service sector remaining positive.
- The Judo Bank Flash Australia Manufacturing PMI, meanwhile, also edged up slightly to 50.1 (Jan: 50.0), signalling a renewed expansion of the manufacturing sector, albeit one that was only marginal. Manufacturing output remained in contraction, but the rates at which new orders and output declined eased from January and were mild overall. Foreign demand rose for the first time since last November. Manufacturers were also broadly optimistic and continued to expand their workforce capacity at a solid pace.

Malaysia's exports growth decelerated more than expected to 1.6% in January

- Exports expanded at a much slower than expected pace of 1.6% y/y in January (Dec: +5.9% revised), marking its smallest increase since Oct-20. Imports growth also decelerated to a 2-year low, clocking in a 2.3% y/y increase during the month in review (Dec: +11.5% revised). The broad pullback in trade performance, though attributable in part to seasonal factors, reinforced the case for slowing external outlook going forward.
- Exports of manufacturing products registered weaker performance overall (-0.1% vs +4.6% y/y). The E&E sector continued to see meagre growth for a second straight month, increasing by 4.7% y/y (Dec: +4.8%). Chemicals, another key manufacturing sub-sector, contracted for the first time since Nov-20. Manufacturers of metal, machinery, appliances & parts both saw double digit declines of 34.9% and 11.9% y/y respectively, while exports of optical & scientific equipment grew at a slower pace of 6.6% y/y. Exports of petroleum products were the only subsector which saw quicker growth (+87.5% vs +66.4% y/y). The agriculture sector also exerted a drag (-19.8% vs -0.2% y/y), while the mining sector charged ahead (+50.1% vs +31.6% y/y).

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
21-Feb	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%
22-Feb	AU Westpac Leading Index MoM (Jan)	-0.13%
	JN PPI Services YoY (Jan)	1.50%
	AU Wage Price Index QoQ (4Q)	1.00%
	MA Foreign Reserves	$115.20
	US MBA Mortgage Applications	-7.70%

Source: Bloomberg

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