

21 March 2023

Global Markets Research

Daily Market Highlights

21 March: Wall Street rose as banking jitters eased

**Regional banks rallied; First Republic plunged 47%; Credit Suisse fell 56%; UBS up 1%
2Y UST yield climbed 14bps; yields on 2Y German bunds and UK gilts fell 2-3bps
China maintained lending rates; Malaysia's export growth picked up to 9.8% y/y**

- Stocks closed higher on Monday after regulators worldwide shore up market confidence and traders grew hopeful that a crisis in the banking sector may be easing. The gains followed a takeover of Credit Suisse by UBS engineered by the Swiss government. The Dow Jones Industrial Average jumped 1.2% d/d, the S&P 500 rose 0.9% d/d while NASDAQ gained 0.4% d/d. Regional banks rallied but shares of First Republic plunged 47.1% d/d. News also emerged that the Federal Home Loan Bank System issued \$304bn in debt last week, nearly double the \$165bn that liquidity hungry lenders tapped from the Fed.
- European stock markets also closed higher post UBS's takeover of Credit Suisse. Stoxx 600 index was lower in the first hours of trade before moving into positive territory and closed 1.0% d/d higher. Credit Suisse shares plunged 55.8% d/d on Monday, while UBS pared losses to clinch a 1.3% d/d gain. FTSE 100 also gained 0.9% d/d. Asia-Pacific markets largely fell, with eyes firmly on the European banking situation. Both Nikkei 225 and Hang Seng slid 1.4% and 2.7% d/d respectively
- The US Treasury yield curve shifted higher with the 10-year Treasury up 6bps at 3.49%. The 2-year Treasury yield also closed 14bps higher at 3.98%. In Europe, yield for the German bunds fell 3bps to 2.33% for the 2-year but gained 2bps to 2.12% for the 10-year. Yield for UK's gilts also slipped 2bps to 3.19% for the 2-year but rose 2bps to 3.30% for the 10-year, steepening the curve.
- The Dollar Index slid 0.4% d/d to 103.28 the day after the merger was announced, touching its lowest level since Feb 15. The euro was last up 0.5% while GBP strengthened 0.9% d/d. In Asia, safe haven JPY gained 0.4% d/d, while CNH appreciated 0.2% d/d. MYR closed flat at 4.4858 while SGD strengthened 0.4% d/d to 1.3371.
- Oil prices rebounded between 1.1%-1.4% d/d after diving to their lowest levels in 15 months last week. On oil news, the largest refinery in France started halting operations over the weekend due to strikes. Price of gold, meanwhile, gained 0.5% d/d as the USD weakened.

China maintained 1-year and 5-year lending rates at 3.65% and 4.30%

- As widely anticipated, the People's Bank of China (PBoC) kept its 1-year and 5-year loan prime rates (LPR) unchanged at 3.65% and 4.30% respectively. Given the central bank's decision to reduce RRR last Friday, this highlights an easing bias going forward.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	32,244.58	1.20
S&P 500	3,951.57	0.89
NASDAQ	11,675.54	0.39
Stoxx Eur 600	440.60	0.98
FTSE 100	7,403.85	0.93
Nikkei 225	26,945.67	-1.42
Hang Seng	19,000.71	-2.65
Straits Times	3,139.76	-1.37
KLCI 30	1,401.81	-0.70
FX		
Dollar Index	103.28	-0.41
EUR/USD	1.0721	0.48
GBP/USD	1.2278	0.86
USD/JPY	131.32	-0.40
AUD/USD	0.6718	0.31
USD/CNH	6.8736	-0.18
USD/MYR	4.4858	0.00
USD/SGD	1.3371	-0.39
Commodities		
WTI (\$/bbl)	67.64	1.35
Brent (\$/bbl)	73.79	1.12
Gold (\$/oz)	1,982.80	0.47
Copper (\$\$/MT)	8,697.50	1.37
Aluminum(\$/MT)	2,274.50	0.02
CPO (RM/tonne)	4,204.50	0.82

Source: Bloomberg, HLBB Global Markets Research

Euro' trade balance widened to €30.6bn

- The Eurozone trade deficit widened to €30.6bn in January (Dec: €8.8bn and Jan 2022: €30.2bn). Of note, data available showed that the EU's trade deficit with Russia, its main energy supplier until its invasion of Ukraine, fell to €5.2bn euros, but its trade deficit with Norway widened to €7.9bn.

UK home prices rebounded 0.8% m/m

- Rightmove reported that asking prices for homes rose by 0.8% m/m in March (Feb: No change and the weakest Feb in records). However, this month's growth was below the 1.0% average m/m increase for March over the last 20 years with property sellers more cautious than usual about pricing. Moving forward, higher mortgage rates and economic headwinds will continue to pose challenges but the housing market seems to be stabilising. Notably, sales agreed in the first-time buyer segment were improving faster.

Malaysia's exports growth posted a bigger than expected pick-up to 9.8% y/y

- Contrary to the downside surprises in January export numbers, Malaysia's exports grew at a faster than expected pace of 9.8% y/y in February, a sharp pickup from January's revised 1.4% y/y increase. This was lifted by a relatively low base in February last year. On a m/m basis, exports indeed fell by a marginal 0.3% in February (Jan: -14.5% m/m) while imports declined 1.9% m/m (Jan: -8.8%), resulting in a higher trade surplus of RM19.6bn (Jan: RM18.1bn). On a y/y basis, growth in imports accelerated to 12.4% y/y in February (Jan: +2.2% y/y), thanks to improvement across the board from capital, intermediate to consumption goods imports.

House View and Forecasts

FX	This Week	1Q-23	2Q-23	3Q-23	4Q-23
DXY	103-105	105	104	103	102
EUR/USD	1.05-1.07	1.05	1.06	1.06	1.06
GBP/USD	1.19-1.22	1.20	1.21	1.21	1.21
USD/JPY	131-135	134	132	132	131
AUD/USD	0.65-0.67	0.69	0.69	0.70	0.71
USD/MYR	4.47-4.53	4.40	4.36	4.30	4.25
USD/SGD	1.34-1.36	1.33	1.31	1.29	1.27

Rates, %	Current	1Q-23	2Q-23	3Q-23	4Q-23
Fed	4.50-4.75	4.75-5.00	5.25-5.50	5.25-5.50	5.25-5.50
ECB	3.50	3.50	3.75	3.75	3.75
BOE	4.00	4.25	4.25	4.25	4.25
BOJ	-0.10	-0.10	-0.10	-0.10	-0.10
RBA	3.60	3.60	3.85	3.85	3.85
BNM	2.75	2.75	3.00	3.00	3.00

Source: HLBB Global Markets Research

Up Next

Date	Events	Prior
21-March	AU RBA Minutes of March Policy Meeting	
	EC ZEW Survey Expectations (Mar)	29.7
	US Philadelphia Fed Non-Manufacturing Activity (Mar)	3.2
	US Existing Home Sales MoM (Feb)	-0.70%
22-March	AU Westpac Leading Index MoM (Feb)	-0.08%
	UK CPI YoY (Feb)	10.10%
	UK PPI Output NSA YoY (Feb)	13.50%

Hong Leong Bank Berhad

Fixed Income & Economic Research, Global Markets
 Level 8, Hong Leong Tower
 6, Jalan Damansara
 Bukit Damansara
 50490 Kuala Lumpur
 Tel: 603-2081 1221
 Fax: 603-2081 8936

HLMarkets@hlbb.hongleong.com.my

UK PPI Input NSA YoY (Feb)	14.10%
MA Foreign Reserves	\$114.3b
UK House Price Index YoY (Jan)	9.80%
US MBA Mortgage Applications	6.50%
UK CBI Trends Total Orders (Mar)	-16

Source: Bloomberg

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