22 February 2023

Global Markets Research
Daily Market Highlights

22 Feb: Risk sentiments took a beating

Higher UST yields, geopolitical concerns, corporate earnings warnings weighed on stocks
PMI services bounced back above 50; DXY strengthened 0.3% to 104.18
RBA policymakers weighed a 50bps rate hike

- Wall Street fell on Tuesday as Treasury yield surged, while geopolitical concerns and the latest batch of earnings from Walmart and Home Depot raised concerns about the state of the consumer and souring investors' mood. The Dow Jones Industrial Average fell 2.1% d/d. The S&P 500 slid 2.0% d/d with 90% of its shares closing lower. Nasdaq Composite pulled back by 2.5% d/d.

- In Europe, Stoxx 600 index finished off 0.2% d/d lower, with shares of Credit Suisse falling on reports that its chairman is facing scrutiny by the Swiss financial regulator on its outflows comment. FTSE100, meanwhile, dipped 0.5% d/d. In Asia, Nikkei 225 and Hang Seng closed 0.2% d/d and 1.7% d/d lower.

- The benchmark 10-year Treasury yield climbed as high as 3.96% during the day, a new high for 2023 on growing sentiment that the Federal Reserve monetary policy tightening is far from over. As at market close, the 10-year closed the day 14bps d/d higher at 3.95%, while the 2-year closed up 11bps d/d to 4.72%.

- The Dollar strengthened 0.3% d/d to 104.18 amidst the drop in the equities markets and rising Treasury yields after the better-than-expected PMI readings. GBP also rallied as much as 0.6% d/d in wake of the UK PMI data that showed British companies unexpectedly returned to growth for the first time in 7 months. On the other hand, EUR weakened 0.4% d/d. Asian currencies were generally weaker d/d, with JPY depreciating 0.6% d/d. CNH dipped 0.5% d/d. SGD weakened by 0.4% d/d to 1.3406 while MYR slipped 0.1% d/d to 4.4328.

- Brent crude oil slipped 1.2% d/d in a volatile session as persistent concerns about global economic growth outweighed supply curbs. Gold prices also eased 0.4% m/m on USD strength.

RBA minutes: Policymakers weighed a 50bps rate hike

- Key highlights from the minutes of the Feb 7 Reserve Bank of Australia's (RBA) policy meeting include: 1) Board discussed only two options; hiking by 50bps or 25bps. Unlike December, there was no consideration for a pause. 2) The board agreed that additional rate hikes were likely in the coming months. 3) The argument for a 50bps rate hike was driven by a pattern of upward surprises on inflation and wage, and risk that high

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	33,129.59	-2.06
S&P 500	3,997.34	-2.00
NASDAQ	11,492.30	-2.50
Stoxx Eur 600	463.77	-0.19
FTSE 100	7,977.75	-0.46
Nikkei 225	27,473.10	-0.21
Hang Seng	20,529.49	-1.71
Straits Times	3,306.86	-0.06
KLCI 30	1,474.01	0.04
FX		
Dollar Index	104.18	0.30
EUR/USD	1.0648	-0.36
GBP/USD	1.2112	0.59
USD/JPY	135.01	0.57
AUD/USD	0.6853	-0.80
USD/CNH	6.8926	0.48
USD/MYR	4.4328	0.06
USD/SGD	1.3406	0.36
Commodities		
WTI ($/bbl)	76.16	-0.24
Brent ($/bbl)	83.05	-1.21
Gold ($/oz)	1,833.00	-0.40
Copper ($$/MT)	9,200.50	0.65
Aluminum($/MT)	2,467.50	0.41
CPO (RM/tonne)	4,020.00	-1.66

Source: Bloomberg, HLBB Global Markets Research inflation would be persistent. 4) RBA pointed to China's reopening as a factor that would boost Australia's economy more than those other nations. It added that the nation's elevated terms of trade and high savings buffers as areas that differentiated the economy.

S&P Manufacturing PMIs were mixed – higher in the US and UK; weaker in EU and Japan

- The S&P Global Flash US Manufacturing PMI rose more than expected to 47.8 in February (Jan: 46.9). Although the manufacturing survey data are showing signs of improvement, the factory sector remains in contraction, albeit modest, and focused on inventory reduction
- In Europe, the PMI unexpectedly dipped to 48.5 (Nov: 48.8), with chemical & plastics and basic resources remained the main areas of weakness while food & drink, household goods and industrial goods manufacturing showed further signs of recovery. Auto making likewise continued to pull out of the slump.
- In the UK, the manufacturing sector rose more than expected to 49.2 (Jan: 47.0). Goods producers linked the rise in output to recovering client demand, while some also noted that improving supply conditions had helped to boost factory production. Reflecting this, the latest survey signalled the fastest improvement in suppliers' delivery times since June 2009.
- The headline au Jibun Bank Flash Japan Manufacturing PMI fell to 47.4 in February (Jan: 48.9), signalling a solid deterioration in the health of the sector and one that was the sharpest in 2.5 years. The decline mainly reflected steeper reductions in output and new orders, which both fell to the lowest since July 2020.

S&P Services PMIs rose above 50 across major economies

- In February, the S&P Global Flash US Services Business Activity Index rose more than expected to 50.5 (Jan: 46.8). This is the first expansion since June 2022 and partly reflected unreasonably warm weather. Some firms continued to highlight customer hesitancy following hikes in interest rates and inflation.
- In Europe, the services sector also rose more than expected to 53.0 (Jan: 50.8). This is the second consecutive month of expansion and the strongest since last June. A key change in the services sector was the revival of growth in financial services activity, albeit with real estate remaining in decline, as well as resurgent tourism & recreation and media activity.
- Services sector in the UK experienced a particularly stronger than expected upturn in business activity in February at 53.3 (Jan: 48.7). A number of survey respondents commented on stronger demand for business services amid an improving global economic outlook and reduced domestic political uncertainty. However, there were also reports citing a continued squeeze on consumer spending due to cost of living difficulties and higher borrowing costs.
- The headline au Jibun Bank Flash Japan Services Business Activity Index signalled sustained growth in the service sector at 53.6 in February (Jan: 52.3). Services activity has now expanded for the past six months, with the latest expansion the fastest since June2022 as the most recent wave of the COVID-19 pandemic subsided. New order growth also quickened, while new business from abroad increased slightly.

US existing home sales unexpectedly fell to the lowest level since 2010

- Existing home sales unexpectedly fell by 0.7% m/m in January (Dec: -2.2% m/m). At 4.0m (Nov: 4.03m), this is also the weakest since 2010. Still, the pace of monthly contraction has slowed and home sales are bottoming out. Properties remained on the market for 33 days on average (Dec: 26 days), while median selling price was just up 1.3% y/y, the smallest annual gain in 11 years.
- The Philadelphia Fed Non-Manufacturing Business Outlook Survey rebounded to 3.2 in February (Jan: -6.5). The index for general activity at the firm level increased, while the indices for new orders and sales/revenues remained positive but declined. The indices for employment fell but remained positive. The prices paid and prices received indices rose, and respondents continue to expect growth over the next six months.

Germany's ZEW rose more than forecast

- The ZEW Indicator of Economic Sentiment for Germany rose more than expected to 28.1 in February (Jan: 16.9). The increase in expectations was due to higher profit expectations in energy and export-oriented sectors as well as consumer-related parts of the economy. Expectations for long-term interest rates are also rising and the banking sector indicator reached its highest since 2004. For the Euro area, the index rose to 29.7 (Jan: 16.7).

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
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%
23-Feb	US FOMC Meeting Minutes	
	AU Private Capital Expenditure (4Q)	-0.60%
	SI CPI YoY (Jan)	6.50%
	HK CPI Composite YoY (Jan)	2.00%
	EC CPI YoY (Jan F)	8.50%
	US Chicago Fed Nat Activity Index (Jan)	-0.49
	US GDP Annualized QoQ (4Q S)	2.90%
	US Initial Jobless Claims	194k

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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