22 March 2023

Global Markets Research

Daily Market Highlights

22 March: Markets turned risk-on on easing banking fear

Yields jumped led by front end as easing banking angst spurred 25bps Fed rate hike bets

Yellen: Government ready to intervene; existing home sales surprised on the upside

RBA minutes hinted on policy pause as economy slows; household spending a concern

- Stocks closed higher for the second day after efforts to stem the banking turmoil and on investors' hopes for a more dovish tone at the FOMC meeting. The Dow Jones Industrial Average gained 1.0% d/d, while S&P 500 jumped 1.3% d/d, its first close above the 4k threshold since March 6 with energy, consumer discretionary and financial sectors leading a broad rally. Nasdaq Composite also added 1.6% d/d, while the VIX posted its biggest 2-day drop since May. First Republic led market gains, adding 29.7% d/d. Regional banks were boosted after Treasury Secretary Janet Yellen said that the government is ready to intervene again, if necessary, to protect smaller banks.

- European and Asian markets also closed higher as investors' nerves settled after UBS' takeover of rival bank Credit Suisse. Stoxx 600 closed 1.3% higher, while FTSE 100 gained 1.8% d/d. Hang Seng index added 1.4% d/d, while CSI 300 edged up 1.1% d/d. Markets in Japan were closed.

- Treasuries yields jumped, led by the shorter tenures as investors wagered that easing banking sector angst will allow the Federal Reserve to raise rates by another 25bps. The yield on the 10-year Treasury rose 13bps to 3.61%, while the 2-year Treasury yield was up by 19bps to 4.17%. In Europe, the yield on the 2-year German bunds increased 26bps to 2.59%, while the 10-year yield was up 17bps to 2.28%. Yields for the 2-year and 10-year UK gilts were up by 6bps each to 3.25% and 3.36% respectively.

- USD and GBP weakened as traders reckoned banking stress would deter the Federal Reserve and the Bank of England from hiking rates much further. The Dollar Index closed just below the flat line at 103.26, while GBP slid 0.5% d/d. On the other hand, EUR strengthened 0.5% d/d. CNH was relatively flat, while both MYR and SGD were stronger by 0.4% d/d and 0.1% d/d respectively at 4.4692 and 1.3363.

- The West Texas Intermediate and Bent jumped 2.5% d/d and 2.1% d/d respectively, the most since early February after Yellen's bank assurances calmed markets. Prices were also further boosted by Russia saying that it is extending its 500k cut through June. Gold dropped the most in 2 weeks, with the bullion sliding 2.1% d/d as haven bids partially unwind.

RBA Minutes: Policy pause on the table as economy slows

- Key highlights from the minutes of the Monetary Policy Meeting of the Reserve Bank of Australia (RBA) include: 1) Members agreed to reconsider the case for a pause at the following meeting, recognising that pausing would allow

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	32,560.60	0.98
S&P 500	4,002.87	1.30
NASDAQ	11,860.11	1.58
Stoxx Eur 600	446.47	1.33
FTSE 100	7,536.22	1.79
Nikkei 225	26,945.67	-1.42
Hang Seng	19,258.76	1.36
Straits Times	3,173.93	1.09
KLCI 30	1,406.55	0.34
FX		
Dollar Index	103.26	-0.02
EUR/USD	1.0768	0.44
GBP/USD	1.2217	-0.50
USD/JPY	132.51	0.91
AUD/USD	0.6669	-0.73
USD/CNH	6.8765	0.04
USD/MYR	4.4692	-0.37
USD/SGD	1.3363	-0.06
Commodities		
WTI ($/bbl)	69.33	2.50
Brent ($/bbl)	75.32	2.07
Gold ($/oz)	1,941.10	-2.10
Copper ($$/MT)	8,757.50	0.69
Aluminum($/MT)	2,266.50	-0.35
CPO (RM/tonne)	4,096.50	-2.57

Source: Bloomberg, HLBB Global Markets Research additional time to reassess the outlook for the economy. 2) Monetary policy was in restrictive territory and that the economic outlook was uncertain. 3) In considering the policy decision, members observed that inflation in Australia remained too high, the labour market was very tight and wages growth had picked up. 4) The outlook for consumption remained a key source of uncertainty and members discussed the significant financial pressures that some households were experiencing.

- The Westpac Leading Economic Index fell 0.06% m/m in February (Jan: -0.12% m/m). In tandem with this, the 6-month annualised growth rate remained in negative territory for the seventh consecutive month at–0.94% (Jan: -1.04%), pointing to below trend growth in 2023 that will likely extend to 2024. Both domestic and international factors contributed to the subdued print with notable drags from hours worked, softening confidence in the labour market, falling commodity prices and declining US IPI.

US existing home sales jumped 14.5%

- Existing-home sales jumped more than expected by 14.5% m/m in February (Jan: -0.7% m/m), snapping a 12-month slide and the largest increase since July 2020. On a y/y basis however, sales retreated 22.6%. The median existing-home sales price decreased 0.2% y/y to $363k, the first in 11 years, while inventory of unsold existing homes fell to 2.6 months' supply at the current monthly sales pace (Feb: 2.9). As it is, conscious of changing mortgage rates, home buyers are taking advantage of any rate declines. Moreover, the National Association Realtors is also seeing stronger sales gains in areas where home prices are decreasing and the local economies are adding jobs.
- Philadelphia Fed's regional activity index declined to -12.8 (Feb: 3.2), a reading last seen in December. March general activity, meanwhile, weakened to -0.1 (Feb: 15.8) and the index for new orders turned negative. The index for sales/revenues declined but remained positive. The full-time employment index fell to a low but positive reading. Both price indexes decreased but continue to indicate overall price increases. Overall, the responding firms expect growth over the next six months.

Germany's ZEW Expectations fell sharply, but still in positive territory

- The ZEW Indicator of Economic Sentiment for Germany recorded a sharper decline than expected to 13.0 in March (Feb: 28.1). However, the index is still in positive territory. The dip reflects the high uncertainty surrounding the international financial markets, as seen by the assessment of the earnings development of banks deteriorating considerably, although it still remains slightly positive. The financial market experts' sentiment concerning the economic development of the eurozone also worsened considerably.

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
22-March	UK CPI YoY (Feb)	10.10%
	UK PPI Output NSA YoY (Feb)	13.50%
	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
23-March	US FOMC Rate Decision (Upper Bound)	4.75%
	US FOMC Rate Decision (Lower Bound)	4.50%
	SI CPI YoY (Feb)	6.60%
	HK CPI Composite YoY (Feb)	2.40%
	UK Bank of England Bank Rate	4.00%
	US Initial Jobless Claims	192k
	US Chicago Fed Nat Activity Index (Feb)	0.23
	US Continuing Claims	1684k
	US New Home Sales MoM (Feb)	7.20%
	US Kansas City Fed Manf. Activity (Mar)	0
	EC Consumer Confidence (Mar P)	-19

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

DISCLAIMER

This report is for information purposes only and does not take into account the investment objectives, financial situation or particular needs of any particular recipient. The information contained herein does not constitute the provision of investment advice and is not intended as an offer or solicitation with respect to the purchase or sale of any of the financial instruments mentioned in this report and will not form the basis or a part of any contract or commitment whatsoever.

The information contained in this publication is derived from data obtained from sources believed by Hong Leong Bank Berhad ("HLBB") to be reliable and in good faith, but no warranties or guarantees, representations are made by HLBB with regard to the accuracy, completeness or suitability of the data. Any opinions expressed reflect the current judgment of the authors of the report and do not necessarily represent the opinion of HLBB or any of the companies within the Hong Leong Bank Group ("HLB Group"). The opinions reflected herein may change without notice and the opinions do not necessarily correspond to the opinions of HLBB. HLBB does not have an obligation to amend, modify or update this report or to otherwise notify a reader or recipient thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

HLB Group, their directors, employees and representatives do not have any responsibility or liability to any person or recipient (whether by reason of negligence, negligent misstatement or otherwise) arising from any statement, opinion or information, expressed or implied, arising out of, contained in or derived from or omission from the reports or matter.

Potential and actual conflict of interest may arise from the activities of HLB Group. HLB Group constitute a diversified financial services group. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, hedging transactions and other activities for their own account or the account of others. In the ordinary course of their business, HLB Group may effect transactions for their own account or for the account of their customers and hold long or short positions in the financial instruments. HLB Group, in connection with its business activities, may possess or acquire material information about the financial instruments. Such activities and information may involve or have an effect on the financial instruments. HLB Group have no obligation to disclose such information about the financial instruments or their activities.

The past performance of financial instruments is not indicative of future results. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Any projections or forecasts mentioned in this report may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information. No assurance can be given that any opinion described herein would yield favourable investment results. Recipients who are not market professional or institutional investor customer of HLBB should seek the advice of their independent financial advisor prior to taking any investment decision based on the recommendations in this report.

HLBB may provide hyperlinks to websites of entities mentioned in this report, however the inclusion of a link does not imply that HLBB endorses, recommends or approves any material on the linked page or accessible from it. Such linked websites are accessed entirely at your own risk. HLBB does not accept responsibility whatsoever for any such material, nor for consequences of its use.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. This report is for the use of the addressees only and may not be redistributed, reproduced or passed on to any other person or published, in part or in whole, for any purpose, without the prior, written consent of HLBB. The manner of distributing this report may be restricted by law or regulation in certain countries. Persons into whose possession this report may come are required to inform themselves about and to observe such restrictions. By accepting this report, a recipient hereof agrees to be bound by the foregoing limitations.