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Global Markets Research

Daily Market Highlights

22 May: Stalled debt ceiling talks sent markets lower

Equities, bonds and DXY fell after pause on debt ceiling talks

Moderately dovish statement from Powell; Yellen: more banking mergers may be needed

Japan's inflation still above 2% target; Malaysia's exports contracted most since May-20

- Wall Street opened Friday higher but turned negative after GOP negotiators halted ongoing debt ceiling negotiation. The Dow Jones Industrial Average closed the day 0.3% d/d lower, the S&P 500 slipped 0.1% d/d while Nasdaq Composite slid 0.2% d/d. A slump in bank shares also weighed down on the markets after a CNN report that Treasury Secretary Janet Yellen told banks that more mergers may be necessary. In Fed speak, Federal Reserve Chair Jerome Powell said that stresses in the banking sector could mean that "our policy rate may not need to rise as much as it would have otherwise to achieve our goals."
- In Europe, Stoxx 600 closed up 0.7% d/d, while FTSE 100 was up 0.2% d/d. Tesco shares traded 0.6% d/d lower after the supermarket chain said Chairman John Allan would step down on June 16, following reported allegations of inappropriate behavior. German stocks extended the previous day's gains, with the DAX index climbing 0.7% d/d to close at 16,334, an all-time high amidst cautious economic optimism after a strong earnings season, even as German PPI producer prices unexpectedly rose m/m. In Asia, Japan stocks marked its best week since October as the Nikkei 225 rose 0.8% and closed at 30,808, highest since 1990 as the G-7 meeting was underway. Hang Seng, on the other hand, fell 1.4% d/d.
- The debt limit angst also sent the Treasuries market into another session of losses. The 2Y UST yield edged up 1bps to 4.27%, while the 10Y rose 3bps to 3.67%. The 10Y European bonds yield closed mixed, between -5 to +13bps.
- DXY was jumpy, falling to as low 103.00 before paring some of its losses to close 0.4% d/d lower at 103.20, pressured by the pause in debt ceiling negotiation as well as a moderately dovish stance by Powell. EUR and GBP strengthened by 0.3% d/d each, while in Asia, JPY appreciated by 0.5% d/d to 137.98, having weakened to 138.73 earlier. CNH weakened to its lowest since December to 7.0750 but closed 0.4% d/d stronger at 7.0247. MYR closed flat at 4.5378, while SGD strengthened 0.3% d/d at 1.3344.
- Prices of oil slid 0.4% d/d, but gold got a lifeline from renewed banking jitters and stalled debt talk, lifting price up 1.1% d/d.
- UK consumer confidence continued to recover**
- Despite persistent cost of living pressures, GfK's Consumer Confidence Index continued to recover for the fourth month, matching expectations and rising to -27 in May (Apr: -30). While the index is still deep in negative territory, the

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	33,426.63	-0.33
S&P 500	4,191.98	-0.14
NASDAQ	12,657.90	-0.24
Stoxx Eur 600	468.85	0.66
FTSE 100	7,756.87	0.19
Nikkei 225	30,808.35	0.77
Hang Seng	19,450.57	-1.40
Straits Times	3,202.59	0.63
KLCI 30	1,428.54	0.04
FX		
Dollar Index	103.20	-0.37
EUR/USD	1.0805	0.32
GBP/USD	1.2445	0.29
USD/JPY	137.98	-0.53
AUD/USD	0.6651	0.44
USD/CNH	7.0247	-0.35
USD/MYR	4.5378	0.00
USD/SGD	1.3444	-0.26
Commodities		
WTI (\$/bbl)	71.55	-0.43
Brent (\$/bbl)	75.58	-0.37
Gold (\$/oz)	1,981.60	1.11
Copper (\$\$/MT)	8,251.50	0.97
Aluminum(\$/MT)	2,283.50	0.00
CPO (RM/tonne)	3,690.00	-0.65

Source: Bloomberg, HLBB Global Markets Research

upper trajectory signals a stronger underlying financial picture. Confidence in personal finances over the coming 12 months saw a 5-points jump to -8, expectations for the general economic situation over the next year increased 4 points to -30m while the major purchase index, an indicator of confidence in buying big ticket items, also rose 4 points to -24.

- According to Rightmove, UK house prices grew at a faster pace of +1.8% m/m in April (March: +0.2% m/m) in a sign of stabilisation in the property market. On a y/y basis however, price growth decelerated for the fourth consecutive month to +1.5% (March: +1.7%).

Japan's inflation remained above BOJ's 2% target

- Although matching expectations, Japan's core prices excluding fresh food accelerated to +3.4% y/y in April (March: +3.1% y/y). Stripping both fresh food and fuel, a proxy of demand driven inflation, prices also picked up to +4.1% y/y (March: +3.8% y/y), the fastest pace since September 1981, while services inflation registered its first monthly increase at +0.2% m/m (March: 0). The latter suggests that rising labour costs may be starting to feed into broader prices. With the latest data suggesting that price hikes are broadening, this has cast doubt on whether the BOJ's 2% target is achievable and leaves little room for BOJ to maintain its ultra-loose policy.
- Japan's core machinery orders unexpectedly fell 3.5% y/y and 3.9% m/m in March (Feb: +9.8% y/y and -4.5% m/m). Of note, the m/m contraction was worse for the non-manufacturing sector, mainly due to contractions in the mining, transportation, telecommunication as well as retail sectors. Nevertheless, moving forward, the Cabinet Office expects private-sector orders, excluding volatile ones, to rise by 4.6% q/q in 2Q.

Malaysia: softer than expected external trade data

- Malaysia exports registered a steeper 17.4% y/y fall in April (Mar: -1.4% y/y), marking its biggest decline since May-20 and came in way below ours as well as market consensus estimates. Imports also saw a bigger than expected decline of 11.1% y/y (Mar: -1.8% y/y), as slower external demand and moderating domestic demand took a toll on imports of intermediate and consumption goods. While we took cognizance of the shorter working month in April in observation of Hari Raya festivities, the bigger than expected month-on-month contraction of 18.7% for exports and 10.1% for imports, offered telltale signs of a faster than expected softening in growth outlook going into 2Q and beyond.

House View and Forecasts

FX	This Week	2Q-23	3Q-23	4Q-23	1Q-24
DXY	102-104	100.97	99.96	97.96	96.98
EUR/USD	1.07-1.09	1.10	1.11	1.12	1.13
GBP/USD	1.23-1.25	1.24	1.25	1.24	1.24
USD/JPY	136-140	131	130	128	128
AUD/USD	0.66-0.67	0.68	0.68	0.69	0.70
USD/MYR	4.50-4.55	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	3.75	4.00	4.00	4.00	4.00
BOE	4.50	4.75	4.75	4.75	4.75
BOJ	-0.10	-0.10	-0.10	-0.10	-0.10
RBA	3.85	3.85	3.85	3.85	3.85

BNM 3.00 3.00 3.00 3.00 3.00

Source: HLBB Global Markets Research

Up Next

Date	Events	Prior
22-May	CH 5-Year Loan Prime Rate	4.30%
	CH 1-Year Loan Prime Rate	3.65%
	MA Foreign Reserves	\$114.4b
	HK CPI Composite YoY (Apr)	1.70%
	EC Consumer Confidence (May P)	-17.5
23-May	AU Judo Bank Australia PMI Mfg (May P)	48
	AU Judo Bank Australia PMI Services (May P)	53.7
	JN Jibun Bank Japan PMI Mfg (May P)	49.5
	SI CPI YoY (Apr)	5.50%
	EC HCOB Eurozone Manufacturing PMI (May P)	45.8
	EC HCOB Eurozone Services PMI (May P)	56.2
	UK S&P Global/CIPS UK Manufacturing PMI (May P)	47.8
	UK S&P Global/CIPS UK Services PMI (May P)	55.9
	US Philadelphia Fed Non-Manufacturing Activity (May)	-22.8
	US S&P Global US Manufacturing PMI (May P)	50.2
	US S&P Global US Services PMI (May P)	53.6
	US New Home Sales MoM (Apr)	9.60%
	US Richmond Fed Manufact. Index (May)	-10
	US Richmond Fed Business Conditions (May)	-27

Source: Bloomberg

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