

23 May 2023

## Global Markets Research

### Daily Market Highlights

## 23 May: Muted markets ahead of debt ceiling talk again

**UST yields rose after Bullard said that he favours two more 25bps rate hikes**

**No sign of Russian cutting oil exports; Eurozone's consumer confidence barely improved**

**China maintained 1- and 5-year loan prime rates at 3.65% and 4.30%**

- Wall Street closed mixed and within a tight range as Wall Street awaited the pivotal debt ceiling meeting on Monday evening, S&P 500 closed just above the flatline, while Dow Jones Industrial Average lost 0.4% d/d. Nasdaq Composite gained 0.5% d/d. Regional banks, meanwhile, rebounded after PacWest said that it sold a bundle of real estate loans for \$2.6bn. Micron Technology, meanwhile, fell 2.9% d/d after China banned firms from buying products from the semiconductor maker. In Fed speaks, St Louis President James Bullard said that he favours two more 25bps rate hikes, while San Francisco Mary Daly said that the central bank's policy should be "about extreme data dependence and policy optionality."
- In Europe, Stoxx 600 closed just above the flatline, while FTSE 100 was up 0.2% d/d as investors not only kept an eye on the debt ceiling talks but also the Greek election results. Asian markets mostly rose with Hang Seng index leading gains at +1.2% d/d. Nikkei 225 also continued with its winning streak at +0.9% d/d.
- Treasuries fell after hawkish Bullard's comments with the short-term leading the decline. The 2Y UST yields rose 5bps to 4.32%, the seventh consecutive increase and the longest streak since September 2022, while the 10Y climbed 4bps to 3.72%. The 10Y European bonds yield closed mixed, between -4 to +12bps.
- DXY got a mild boost after Bullard's comments, reaching its day high of 103.37 before paring its gains to close flat at 103.20. European currencies were also little changed, with EUR strengthening 0.1% d/d but GBP weakened 0.1% d/d. In Asia, JPY and CNH depreciated by 0.5% and 0.3% d/d respectively, while MYR and SGD weakened by 0.3% d/d and 0.2% d/d respectively to close at 4.5492 and 1.3466.
- In the commodities market, gold slipped 0.2% d/d, but oil gained between 0.5-0.6% d/d. In a news update, Russian crude oil exports stayed strong despite its pledge to cut output in retaliation for Western sanction. The 4-week average seaborne shipments rose close to 4m barrels per day for the period May 19, or up 1.2m barrels per day vis-à-vis end-2022.

#### China maintained the 1 and 5-year loan prime rates at 3.65% and 4.30%

- As widely expected, China kept its 1 and 5-year loan prime rate (LPR) unchanged at 3.65% and 4.30% respectively. The move is not a surprise after

#### Key Market Metrics

	Level	d/d (%)
<b>Equities</b>		
Dow Jones	33,286.58	-0.42
S&P 500	4,192.63	0.02
NASDAQ	12,720.78	0.50
Stoxx Eur 600	468.91	0.01
FTSE 100	7,770.99	0.18
Nikkei 225	31,086.82	0.90
Hang Seng	19,678.17	1.17
Straits Times	3,211.09	0.27
KLCI 30	1,419.00	-0.67
<b>FX</b>		
Dollar Index	103.20	0.00
EUR/USD	1.0813	0.07
GBP/USD	1.2437	-0.06
USD/JPY	138.60	0.45
AUD/USD	0.6653	0.03
USD/CNH	7.0470	0.32
USD/MYR	4.5492	0.25
USD/SGD	1.3466	0.16
<b>Commodities</b>		
WTI (\$/bbl)	71.99	0.61
Brent (\$/bbl)	75.99	0.54
Gold (\$/oz)	1,977.20	-0.22
Copper (\$\$/MT)	8,127.50	-1.50
Aluminum(\$/MT)	2,263.50	-0.88
CPO (RM/tonne)	3,708.50	0.50

Source: Bloomberg, HLBB Global Markets Research

PBoC maintained its medium-term lending facility (MLF) rate unchanged at 2.75% last week and after economic data released recently undershot expectations. Moving forward, liquidity operations will remain supportive while tepid recovery in domestic demand suggests a cut should not be discounted.

#### **Eurozone's consumer confidence barely improved**

- Eurozone's consumer confidence improved less than forecast and just a shade better m/m at -17.4 in May (Apr: -17.5). While at a 15-month high, this suggests a possible plateau in confidence on the back of still elevated inflationary pressures.

#### **Hong Kong's inflation rate accelerated more than expected**

- Hong Kong's inflation rate accelerated more than expected to +2.1% y/y in April (March: +1.7% y/y) mainly attributed to the lower ceiling concession rates during the month. Stripping this and other Government's one-off relief measures, underlying prices also picked up slightly to +1.8% y/y (March: +1.7% y/y) led by higher prices of energy-related items, clothing and footwear as well as meals out and takeaway food. Moving forward, inflation rate is expected to pick up for the rest of 2023 on the back of increased domestic cost pressures due to increased economic activities as well as notable external price pressures.

#### **Australia's PMIs point to softening in economic activities**

- Australia's May preliminary PMIs signalled a slight softening in economic activities, with sustained growth in the services sector while manufacturing shrank for a third straight month. The Judo Bank Manufacturing PMI was unchanged at 48.0, pointing to a soft landing and not a recession, weighed down by weaker demand for consumer goods as well as a slowdown in external demand and construction activities. The Services PMI, meanwhile, fell to 51.8 (Apr: 53.7), but still supported by stronger housing markets in recent months, rising population growth and a pick-up in job advertising.

#### **Malaysia's foreign reserves edged up slightly**

- Malaysia's foreign reserves edged up slightly by \$0.3bn to \$ 114.7bn as of 15 May (28 Apr: -\$1.5bn to \$114.4bn). The reserves position is sufficient to finance 4.9 months of imports of goods and services and is 1.0 times the total short-term external debt.

#### **House View and Forecasts**

<b>FX</b>	<b>This Week</b>	<b>2Q-23</b>	<b>3Q-23</b>	<b>4Q-23</b>	<b>1Q-24</b>
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

<b>Rates, %</b>	<b>Current</b>	<b>2Q-23</b>	<b>3Q-23</b>	<b>4Q-23</b>	<b>1Q-24</b>
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
23-May	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
24-May	AU Westpac Leading Index MoM (Apr)	-0.01%
	UK CPIH YoY (Apr)	8.90%
	UK PPI Output NSA YoY (Apr)	8.70%
	UK PPI Input NSA YoY (Apr)	7.60%
	UK House Price Index YoY (Mar)	5.50%
	US MBA Mortgage Applications	-5.70%
	US FOMC Meeting Minutes	

Source: Bloomberg

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