

24 March 2023

## Global Markets Research

### Daily Market Highlights

# 24 March: Tech stocks led Wall Street rebound

**US jobless claims surprised on the downside; new home sales unexpectedly rose 1.1%  
BOE raised rates by 25bps to 4.25% by 7-2 majority; no technical recession anticipated  
Softer inflation prints in Japan, Hong Kong and Singapore**

- Led by tech stocks, Wall Street ended higher in a turbulent trading session fuelled by a surprised drop in jobless claims. The S&P 500 closed 0.3% d/d higher, while the tech-heavy Nasdaq Composite advanced 1.0% d/d. The Dow Jones Industrial Average rose 0.2% d/d. Meanwhile, Block shares plunged 14.8% d/d after short-seller Hindenburg Research accused the company of overstating user counts and understated its customer acquisition costs.

Stoxx 600 closed down 0.2% d/d, having slightly trimmed losses after the Bank of England (BOE) announced its widely-expected 25bps rate hike. FTSE 100 lost 0.9% d/d. Hong Kong stocks rose 2.3% d/d, leading gains in Asia's mixed session. Nikkei 225 slipped 0.2% d/d.

- The less-hawkish FOMC stance lingered, sending the yield on the 2-year UST down 10bps to 3.83%. The 10-year Treasury yield was down 1bps at 3.43%. European sovereign bond yields fell, to the tune of 18bps-21bps for the 2-year and 9bps-13bps for the 10-year.
- The Dollar Index pared earlier losses and was last up 0.2% d/d at 102.53, set for its first winning day after five straight days of losses. EUR lost 0.2%, but GBP gained 0.2% d/d. In Asia, both the JPY and CNH strengthened 0.5% d/d each, while SGD gained 0.4% d/d to 1.3257. MYR appreciated a whopping 0.8% d/d to 4.4177.
- Oil prices settled between 1.0%-1.3% d/d lower, reversing early gains after US Energy Secretary Jennifer Granholm told lawmakers that refilling the country's Strategic Petroleum Reserve (SPR) may take several years. Gold prices extended gains to a second session by +2.4% d/d, boosted by a slide in USD after the Federal Reserve signalled an end to its monetary tightening cycle might be on the cards.

#### **BOE raised rates by 25bps to 4.25% by 7-2 majority**

- As widely expected, the BOE MPC voted by a majority of 7-2 to increase the Bank Rate by 25bps to 4.25%. Two members preferred to maintain the policy rate.
- Key highlights from the MPC statement include: 1) The UK banking system maintains robust capital and strong liquidity positions and noted that bank wholesale funding costs have risen. 2) GDP is still likely to have been broadly flat around the turn of the year, but is now expected to increase slightly in 2Q, compared with the 0.4% decline previously anticipated. 3) BOE is expecting

#### Key Market Metrics

	Level	d/d (%)
<b>Equities</b>		
Dow Jones	32,105.25	0.23
S&P 500	3,948.72	0.30
NASDAQ	11,787.40	1.01
Stoxx Eur 600	446.22	-0.21
FTSE 100	7,499.60	-0.89
Nikkei 225	27,419.61	-0.17
Hang Seng	20,049.64	2.34
Straits Times	3,219.00	-0.06
KLCI 30	1,410.98	-0.08
<b>FX</b>		
Dollar Index	102.53	0.18
EUR/USD	1.0831	-0.23
GBP/USD	1.2287	0.15
USD/JPY	130.85	-0.45
AUD/USD	0.6684	-0.01
USD/CNH	6.8296	-0.45
USD/MYR	4.4177	-0.84
USD/SGD	1.3257	-0.37
<b>Commodities</b>		
WTI (\$/bbl)	69.96	-1.33
Brent (\$/bbl)	75.91	-1.02
Gold (\$/oz)	1,995.90	2.37
Copper (\$\$/MT)	9,031.00	1.60
Aluminum(\$/MT)	2,326.00	1.73
CPO (RM/tonne)	3,965.00	-3.04

Source: Bloomberg, HLBB Global Markets Research

employment growth of 0.2% in 2Q, in comparison to the 0.4% decline that had been anticipated, and for the unemployment rate to remain around its current low level rather than starting to rise. 4) CPI is still expected to fall significantly in 2Q, to a lower rate than previously anticipated, largely due to the near-term news in the Budget including on the EPG, alongside the falls in wholesale energy prices. Services CPI inflation is expected to remain broadly unchanged in the near term, but wage growth is likely to fall back somewhat more quickly than initially projected.

#### **US jobless claims unexpectedly eased, new home sales unexpectedly rose**

- New home sales unexpectedly rose 1.1% m/m to 640k in February (Jan: +1.8% m/m to 633k). The latest data which was the strongest since August, suggest that the housing market may be stabilizing, but remains susceptible to tighter lending conditions going forward. There were also 436k new homes for sale at the end of the month, the lowest since April and representing 8.2 months supply at the current sales pace (Jan: 8.3).
- US jobless claims unexpectedly eased for the second week, dipping 1k to 191k for the week ending March 18 (Mar 11: -20k to 192k). Continuing claims, nevertheless, rose 14k to 1694k for the week ending March 11 (Mar 4: -33k to 1680k), probably due to laid-off workers taking slightly longer to find new jobs.
- Led by declines in production-related indicators, the Chicago Fed National Activity Index unexpectedly fell to -0.19 in February (Jan: +0.23). Kansas City Fed Manufacturing Activity Index, on the other hand, unexpectedly stayed flat (Forecast: -2). Given current price pressures, around half of firms reported lower profit margins from the beginning of the year and changing prices more frequently than last year.

#### **Eurozone's consumer confidence unexpectedly worsened to -19.2**

- Eurozone's consumer confidence unexpectedly snapped its 5-months of improvement, with the index falling to -19.2 in March (Feb: -19.1). This remains well below its long-term average.

#### **Japan's inflation rate slowed sharply reflecting impact from economic stimulus**

- Matching expectations, Japan's inflation headline and core inflation decelerated sharply to +3.3% y/y (Feb: +4.3% y/y) and +3.1% y/y (Feb: 4.2% y/y) respectively. The slowdown reflects the impact from the economic stimulus that was announced last year. A key measure was the 20% discount in household electricity which kicked in in February 2022.

#### **Australia's PMIs retreated to negative territory**

- The Judo Bank Flash Australia Manufacturing PMI fell to 48.7 in March (Feb: 50.5), signalling a renewed contraction of the manufacturing sector and one that was the fastest since May 2020. The rate at which new orders contracted was the fastest since August 2021, as higher interest rates and inflationary pressures affected client interest.
- The Services PMI Business Activity Index also retreated to 48.2 for the same month (Feb: 50.7). This indicated that services activity fell for the fifth time in the past six months, after expanding in February. New business sub-index also deteriorated at the fastest pace since September 2021 as high costs and slowing market conditions weighed on demand.

### Hong Kong's inflation decelerated to +1.7%

- Hong Kong's headline inflation unexpectedly decelerated to +1.7% y/y in February (Jan: +2.4% y/y). Netting out the effects of all Government's one-off relief measures, the y/y inflation was also softer at +1.7% (Jan: 2.4%). The smaller increase was mainly due to the high base effect from higher prices for basic food in February 2022. Looking ahead, overall inflation could face some upward pressure, but should remain moderate in the near term. Higher domestic cost pressures due to return of economic activities to normalcy is expected to be offset by moderated, albeit still elevated external price pressures in major economies.

### Singapore's headline inflation eased to 6.3%, core steady at 5.5%

- Singapore's inflation rate came below expectations in February, with headline decelerating to +6.3% y/y (Jan: +6.6% y/y), while core held steady at +5.5% y/y. Food prices were unchanged at a 14-year high of +8.1% y/y. Notable movement was seen in the deceleration of transport costs to +9.7% y/y (Jan: +10.8% y/y), which more than offset higher prices for the communication sector (+2.9% y/y vs Jan: +1.7% y/y). MAS and MTI also reiterated its projections for 2023 headline and core at 5.5%-6.5% and 3.5%-4.5% respectively.

### House View and Forecasts

FX	This Week	1Q-23	2Q-23	3Q-23	4Q-23
DXY	102-105	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	4.75-5.00	4.75-5.00	5.00-5.25	5.00-5.25	5.00-5.25
ECB	3.50	3.50	4.00	4.00	4.00
BOE	4.25	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
24-March	UK GfK Consumer Confidence (Mar)	-38
	JN Jibun Bank Japan PMI Mfg (Mar P)	47.7
	JN Jibun Bank Japan PMI Services (Mar P)	54
	MA CPI YoY (Feb)	3.70%
	SI Industrial Production YoY (Feb)	-2.70%
	UK Retail Sales Inc Auto Fuel MoM (Feb)	0.50%
	EC S&P Global Eurozone Manufacturing PMI (Mar P)	48.5
	EC S&P Global Eurozone Services PMI (Mar P)	52.7
	UK S&P Global/CIPS UK Manufacturing PMI (Mar P)	49.3
	UK S&P Global/CIPS UK Services PMI (Mar P)	53.5
	US Durable Goods Orders (Feb P)	-4.50%
	US Cap Goods Orders Nondef Ex Air (Feb P)	0.80%
	US S&P Global US Manufacturing PMI (Mar P)	47.3
	US S&P Global US Services PMI (Mar P)	50.6
US Kansas City Fed Services Activity (Mar)	1	
27-March	JN PPI Services YoY (Feb)	1.60%

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CH Industrial Profits YTD YoY (Feb)	-4.00%
JN Leading Index CI (Jan F)	96.5
HK Exports YoY (Feb)	-36.70%
HK Imports YoY (Feb)	-30.20%
HK Trade Balance HKD (Feb)	-25.4b
US Dallas Fed Manf. Activity (Mar)	-13.5

Source: Bloomberg

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