

25 April 2023

Global Markets Research

Daily Market Highlights

25 April: Tame markets as investors brace for tech earnings

Global S&P PMIs remained lopsided; US PMIs above 50, other indicators disappointed
UST yields shifted lower; DXY tested 1-week low; 1Q GDP, PCE prices in focus end week
PBoC maintained 1- and 5-year lending rates at 3.65% and 4.30%

- Wall Street closed mixed and traded largely in a narrow range as investors awaited the release of a slew of mega-cap tech corporate earnings and fresh economic data. The tech-heavy NASDAQ slid 0.3% d/d with software shares dragging on the benchmark, while Dow Jones Industrial Average added 0.2% d/d. S&P 500 ticked up 0.1% d/d. Amongst the mega-cap tech scheduled to deliver results this week include Microsoft, Amazon and Alphabet. On the economic front, Fed entered a blackout period ahead of the May 2-3 FOMC meeting, while the relevant departments are expected to release US's 1Q GDP and PCE-prices data prior to that. European markets closed just below the flatline, while Asian stock markets closed mixed. Nikkei 225 added 0.1% d/d, but Hang Seng slid 0.6% d/d.
- UST yield curve shifted lower, with the yield on the 2Y UST falling 9bps to 4.09%. while the 10Y dipped 8bps to 3.49%. On the other hand, 10Y European bond yields closed slightly higher between 0 to 4bps.
- DXY struggled and tested its more than 1-week low against its G10 peers as investors eyed a potentially slower 1Q GDP growth and lower PCE prices coming from the US later this week and continued to price in cuts in fed funds rate later this year. DXY fell 0.5% d/d to 101.35. GBP gained 0.4% d/d, while EUR strengthened 0.6% d/d, the latter benefitting from an unexpected rise in German IFO as well as expectations that ECB will lift its rates by at least 25bps next week. JPY continued to struggle, weakening 0.1% d/d to 134.24 amidst expectations that BOJ will maintain its ultra-easy yield curve control policy when policy makers next meet later this week. MYR and SGD were slightly stronger by 0.1% d/d each at 4.4373 and 1.3334.
- Oil prices settled higher, with both Brent crude and West Texas Intermediate gaining 1.3% d/d and 1.1% d/d respectively. Price of gold also rose 0.5% d/d as the greenback weakened.

PBoC kept lending rates unchanged

- As widely expected, the People's Bank of China kept the 1- and 5-year lending rates unchanged at 3.65% and 4.30% respectively. This came after the central bank maintained its policy rate at 2.75% recently while dialling back on its cash injection into the financial sector. As it is, recent indicators have shown tentative signs of a recovery in the Chinese economy, thus reducing the need for the central bank to cut rates going forward.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	33,875.40	0.20
S&P 500	4,137.04	0.09
NASDAQ	12,037.20	-0.29
Stoxx Eur 600	468.97	-0.01
FTSE 100	7,912.20	-0.02
Nikkei 225	28,593.52	0.10
Hang Seng	19,959.94	-0.58
Straits Times	3,324.55	0.08
KLCI 30	1,422.11	-0.21
FX		
Dollar Index	101.35	-0.47
EUR/USD	1.1046	0.55
GBP/USD	1.2486	0.43
USD/JPY	134.24	0.06
AUD/USD	0.6696	0.06
USD/CNH	6.9037	0.08
USD/MYR	4.4373	-0.08
USD/SGD	1.3334	-0.06
Commodities		
WTI (\$/bbl)	78.76	1.14
Brent (\$/bbl)	82.73	1.31
Gold (\$/oz)	1,989.10	0.48
Copper (\$\$/MT)	8,730.50	-0.73
Aluminum(\$/MT)	2,381.00	-0.65
CPO (RM/tonne)	4,257.00	1.06

Source: Bloomberg, HLBB Global Markets Research
 * KLCI 30 and USD/MYR as of 20th April

S&P April PMIs remained lopsided in favour of services; US PMIs above 50

- The S&P Flash US manufacturing PMI unexpectedly rose to 50.4 in April (March: 49.2), the first upturn in 6 months. The improvement was nevertheless marginal, supported by stronger growth in output and employment, as well as renewed rise in new orders. Similarly, services PMI also unexpectedly accelerated to 53.7 (March: 52.6), the quickest in a year, supported by greater employment and stronger demand.
- Growth in the Eurozone became increasingly uneven in April, with the services PMI reporting its strongest expansion in a year, unexpectedly accelerating to 56.6 (March: 55.0) while manufacturing PMI retreated more than expected to below 50 and contracting at the sharpest rate since December at 45.5 (March: 47.3). Nevertheless, it should be noted that the decline in manufacturing was partly due to protests in France. Optimism about the year ahead was also positive, even for the manufacturing sector.
- Similarly, growth remained lopsided in the UK, with a robust and better than expected services PMI at 54.9 in April (March: 52.9). This is the highest reading in a year as consumer confidence grew and spending on luxuries increased. In contrast, manufacturing PMI fell for the second month and more than expected to 46.6 (March: 47.9) with a fall in new orders and another round of job shedding observed.
- The flash PMI readings for Australia pointed to a growing divergence between the manufacturing and services sector. Manufacturing activity remained soft at 48.1 in April (March: 49.1) due to weaker demand for goods and a gradual slowdown in construction activity. On the other hand, the services sector bounced strongly back strongly to 52.6 (March: 48.6), with all the key indices up during the month.
- Japan's private sector continued to expand solidly at the start of 2Q, with a strong service economy offsetting a weak manufacturing sector. The headline au Jibun Bank Flash Japan Manufacturing, remained contractionary at 49.5 (March: 49.2), with sales falling at the weakest rate since July 2022. The Services Business Activity Index was, nevertheless, little changed at 54.9 (March: 55.0), the second-highest reading since October 2013. More importantly, expectations around the 12-month outlook improved notably, with firms expressing the strongest degree of optimism on record during the month.

US economic data disappointed and worsened

- The Conference Board Leading Economic Index worsened more than expected by -1.2% in March (Feb: -0.5%) to the lowest level since November of 2020. This is consistent with worsening economic conditions ahead with weaknesses among the sub-components widespread.
- Existing-home sales retreated more than expected by -2.4% m/m in March (Feb: +13.8% m/m), and plunged 22.0% on a y/y basis. Consequently, median prices dipped 0.9% m/m to \$375.7k, the largest decline since 2012. Unsold inventory, meanwhile, remained unchanged at 2.6-month supply at the current sales pace.
- Initial jobless claims rose more than expected by +5k to 245k for the week ended April 15 (Apr 8: +12k to 240k). Continuing claims also jumped more than expected by 61k to 1865k for the week ended April 8 (Apr 1: -19k to 1804k). This is the highest level for insured unemployment since November 2021.
- At district levels, Philadelphia Fed's Manufacturing Business Outlook Survey unexpectedly worsened to -31.3 in April (Mar: -23.2), its eighth consecutive negative reading and lowest reading since May 2020. Broad indicators

remained negative, although new orders and shipments rose. Similarly, the contraction in Dallas Fed general business activity index also unexpectedly worsened to -23.4 (March: 15.7), its lowest reading in nine months. The Chicago Fed National Activity Index nevertheless held steady at -0.19 in March.

Euro's consumer confidence improved, registered its first trade surplus since 2021

- Eurozone' flash consumer confidence indicator resumed its recovery, improving more than expected to -17.5 in April (March: -19.1). Nevertheless, this is well below its long-term average. The Euro area also recorded its first trade surplus for the first time since September 2021 at €4.6bn in February (Jan: -€9.4bn) as exports outpaced imports at +7.6% y/y and +1.1% y/y respectively.

UK retail sales fell on weather, consumer confidence climbed to the highest in a year

- UK retail sales fell sharper than expected by 0.9% m/m in March (Feb: +1.1% m/m) as poor weather impacted sales across almost all sectors. Still, it should be noted that sales rose 0.6% q/q in 1Q, the highest rate and first rise since August 2021.
- Elsewhere, the GfK consumer confidence index climbed to its highest level since February 2022 and better than expected at -30 in April (March: -36). Consumers' expectations for Britain's economy in the next 12 months hit a 15-month high and prospects for personal finances were the brightest since February 2022.

Japan's exports slowed; core inflation strongest since 1981

- Japan's export growth slowed in March, albeit less than expected by +4.3% y/y (Feb: +6.5% y/y) dragged down by a drop in China-bound shipments of cars. Import growth, meanwhile, outpaced exports at +7.3% y/y (Feb: +8.3% y/y), helping bring the trade deficit narrower to ¥754.5bn (Feb: ¥898.1bn). The gain in imports is the smallest in 2 years, as a firmer yen and falling commodity prices curbed imports. By region, exports to the US and Euro slowed to +9.4% y/y and 5.1% y/y respectively, while exports to China fell 7.7% y/y.
- Japan's CPI, which excludes fresh food, unexpectedly held steady at +3.1% y/y in March (Feb: 3.1% y/y). Although a sharp deceleration from January's 41-year high of 4.2% y/y, this was largely due to government subsidies which softened the cost of utility bills. More importantly, stripping both fresh food and energy, CPI accelerated more than expected to 3.8% y/y (Feb: 3.5% y/y), the fastest since December 1981 and driven by a 8.2% y/y jump in processed food.

Hong Kong's inflation steady at 1.7%, unemployment rate eased to 3.1%

- Hong Kong's underlying CPI unexpectedly held steady at +1.7% y/y in March (Feb: +1.7% y/y). Nevertheless, this is a deceleration as compared to +2.1% for the period Jan-Feb as food prices softened sharply due to high base effect. Prices of energy-related items, clothing and footwear as well as meals out and takeaway food, on the other hand, accelerated further.
- Unemployment rate fell more than expected to 3.1% for the three months ended March (Feb: 3.3%). The labour market has and will continue to benefit from the resumption of domestic economic activities and inbound tourism. This is seen with the unemployment rate for consumption- and tourism-related sectors falling 0.1ppts to 4.2% during the period.

Singapore's headline and core inflation eased to 5.5% and 5.0%

- Marching expectations, Singapore's headline CPI eased to 5.5% y/y in March (Feb: +6.3% y/y) while core inflation was milder than expected at 5.0% y/y (Feb: 5.5% y/y), driven by lower inflation for services, food and retail & other goods. The official projections for the year remain unchanged at between 5.5%-6.5% for headline inflation and 3.5%-4.5% for core.

Milder inflation rate of 3.4% for Malaysia

- Malaysia's headline CPI eased to its lowest since June 2022 at +3.4% y/y in March (Feb: +3.7% y/y). This is a shade lower than consensus forecast but matched ours. Core inflation also softened to 3.8% y/y (Feb: +3.9% y/y) but given that 4 out of the 12 sub-sectors that registered quicker growth were predominantly services-related or discretionary spending driven, this reaffirmed our view that inflation will remain sticky and underpinned by second-round price effects as well as demand-pull inflation.

House View and Forecasts

FX	This Week	2Q-23	3Q-23	4Q-23	1Q-24
DX	100-102	100.97	99.96	97.96	96.98
EUR/USD	1.09-1.11	1.10	1.11	1.12	1.13
GBP/USD	1.24-1.26	1.24	1.25	1.24	1.24
USD/JPY	131-135	131	130	128	128
AUD/USD	0.67-0.69	0.68	0.68	0.69	0.70
USD/MYR	4.40-4.45	4.39	4.35	4.31	4.28
USD/SGD	1.32-1.34	1.31	1.30	1.27	1.26

Rates, %	Current	2Q-23	3Q-23	4Q-23	1Q-24
Fed	4.75-5.00	5.00-5.25	5.00-5.25	5.00-5.25	5.00-5.25
ECB	3.50	4.00	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	3.60	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
25-April	JN PPI Services YoY (Mar)	1.80%
	HK Exports YoY (Mar)	-8.80%
	UK CBI Trends Total Orders (Apr)	-20
	US Philadelphia Fed Non-Manufacturing Activity (Apr)	-12.8
	US FHFA House Price Index MoM (Feb)	0.20%
	US S&P CoreLogic CS 20-City MoM SA (Feb)	-0.43%
	US New Home Sales MoM (Mar)	1.10%
	US Conf. Board Consumer Confidence (Apr)	104.2
	US Richmond Fed Manufact. Index (Apr)	-5
	US Dallas Fed Services Activity (Apr)	-18
26-April	AU CPI YoY (Mar)	6.80%
	SI Industrial Production SA MoM (Mar)	-11.70%
	US MBA Mortgage Applications	
	US Wholesale Inventories MoM (Mar P)	0.10%
	US Advance Goods Trade Balance (Mar)	-\$91.6b
	US Retail Inventories MoM (Mar)	0.80%
	US Durable Goods Orders (Mar P)	-1.00%
	US Cap Goods Orders Nondef Ex Air (Mar P)	-0.10%

Source: Bloomberg

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