

26 January 2023

**Global Markets Research**
**Daily Market Highlights**

## 26 Jan: US stocks trimmed initial sell off

**Investors shrugged off Microsoft forecast, braced for Tesla and IBM after the bell**

**Subdued trading for greenback; Dollar at 101 as investors await key economic data**

**Australia's inflation rate hit 7.8%; Singapore's inflation and UK's producer prices eased**

- US equities trimmed its initial sell off to close mixed as investors shook off lacklustre guidance from Microsoft. The tech-heavy Nasdaq dipped 0.2% d/d, while the S&P 500 was largely flat (-0.02% d/d). The Dow Jones Industrial Average eked out a small gain of +0.03% d/d. Investors were also bracing for more high-profile corporate earnings with Tesla and IBM among the companies slated to post numbers after the bell.
- European markets closed lower following a loss in the previous session, despite data showing improved business sentiment in Germany and an uptick in eurozone services and manufacturing activity. Both the Stoxx 600 and FTSE 100 fell 0.3% d/d and 0.2% d/d respectively. Over in Asia, the Chinese and Hong Kong markets were closed for the Lunar New Year but Nikkei gained 0.4% d/d.
- US Treasury yields dipped as worries about a slowing US economy dented appetite for risk and boosted demand for Government bonds. The yield for the 10-year Treasury traded 1bps lower at 3.44%. The yield on the 2-year Treasury was about 2bps lower at 4.13%.
- The Dollar edged down by 0.3% d/d in subdued trading as investors were hesitant to make any big bets ahead of this week's key economic data, which include 4Q GDP and core-PCE prices, as well as next week's central bank meetings. In addition, much of Asia is observing the Lunar New Year holidays. EUR was 0.3% d/d stronger, while GBP appreciated by 0.6% d/d. Over in Asia, JPY, MYR and SGD strengthened between 0.5% d/d-0.6% d/d each. MYR and SGD closed the day at 4.2605 and 1.3131 respectively.
- Oil prices closed the day relatively unchanged, with bets on stronger Chinese demand and a weak Dollar offset by rising US crude inventories and lacklustre corporate earnings. Spot gold, meanwhile, traded up 0.4% d/d.

### Mortgage applications continued to increase as rates fell

- Mortgage applications increased 7.0% w/w for the week January 20 (Jan 13: +27.9% w/w), with gains recorded both in purchase and refinance activities. Purchase applications, nevertheless, remained almost 39.0% y/y lower. Homebuying activity remained tepid, but if rates continue to fall and home prices cool further, this should provide some support for the housing market. As it is, mortgage rates declined for the third straight week, with its 30-year fixed rate at its lowest level since September 2022 at 6.2%.

### Key Market Metrics

	Level	d/d (%)
<b>Equities</b>		
Dow Jones	33,743.84	0.03
S&P 500	4,016.22	-0.02
NASDAQ	11,313.36	-0.18
Stoxx Eur 600	452.07	-0.29
FTSE 100	7,744.87	-0.16
Nikkei 225	27,395.01	0.35
Hang Seng	22,044.65	1.82
Straits Times	3,352.77	1.79
KLCI 30	1,499.45	-0.06
<b>FX</b>		
Dollar Index	101.64	-0.27
EUR/USD	1.0916	0.27
GBP/USD	1.2403	0.56
USD/JPY	129.59	-0.45
AUD/USD	0.7104	0.82
USD/CNH	6.7721	-0.18
USD/MYR	4.2605	-0.57
USD/SGD	1.3131	-0.49
<b>Commodities</b>		
WTI (\$/bbl)	80.15	0.02
Brent (\$/bbl)	86.12	-0.01
Gold (\$/oz)	1,942.60	0.37
Copper (\$\$/MT)	9,314.50	0.00
Aluminum(\$/MT)	2,658.50	0.30
CPO (RM/tonne)	3,901.50	1.08

Source: Bloomberg, HLBB Global Markets Research

### UK producer prices softened but remained elevated

- UK's producer input prices decelerated to +16.5% y/y in December (Nov: +18.0% y/y), while output (factory gate) prices also softened to +14.7% y/y (Nov: +16.2% y/y). This marked the 6<sup>th</sup> and 5<sup>th</sup> month where prices have softened. On a m/m basis, both prices fell more than expected at -1.1% m/m (Nov: -0.2% m/m) and -0.8% m/m (Nov: -0.1% m/m) respectively. Food products provided the largest upward contributions to output prices, while metal and non-metallic mineral products had the largest contribution to annual input inflation.

### Australia's inflation rate hit 7.8%

- Australia's annual inflation rate accelerated more than expected to +7.8% y/y in December (Nov: +7.3% y/y), partly driven by surging electricity prices and the cost of holiday travel and accommodation. This marks the highest inflation since 1990. In an accompanying statement, treasurer Jim Chalmers said that there are some signs that inflation is likely to have peaked, but "we won't know this for sure until data for the March quarter comes in."
- Westpac Leading Index for December contracted 0.13% m/m (Nov: -0.16% m/m). At -0.97%, this marks the fifth consecutive month that growth rate has been negative and points to below trend growth in 1H of 2023. Rising short term interest rates are weighing on the Index, but these effects are slightly offset by ongoing confidence in the labour market.

### Singapore's inflation rate eased to 6.5%

- Singapore's inflation rate eased more than expected to +6.5% y/y in December (Nov: +6.7% y/y), while core prices held steady at +5.1% y/y. Smaller price increases for retail as well as electricity and gas in December were offset by higher inflation for food and services. For the whole of 2022, core inflation averaged 4.1% y/y, while overall inflation was up 6.1% y/y.

### House View and Forecasts

FX	This Week	1Q-23	2Q-23	3Q-23	4Q-23
DX	101-104	98.00	96.04	96.04	96.04
EUR/USD	1.07-1.09	1.10	1.11	1.11	1.11
GBP/USD	1.21-1.27	1.26	1.27	1.27	1.27
USD/JPY	127-133	130	128	128	128
AUD/USD	0.68-0.72	0.70	0.72	0.72	0.72
USD/MYR	4.30-4.35	4.31	4.28	4.28	4.28
USD/SGD	1.31-1.34	1.32	1.30	1.30	1.30

Rates, %	Current	1Q-23	2Q-23	3Q-23	4Q-23
Fed	4.25-4.50	4.75-5.00	4.75-5.00	4.75-5.00	4.75-5.00
ECB	2.50	3.00	3.00	3.00	3.00
BOE	3.50	4.00	4.00	4.00	4.00
BOJ	-0.10	-0.10	-0.10	-0.10	-0.10
RBA	3.10	3.35	3.35	3.35	3.35
BNM	2.75	3.00	3.00	3.00	3.00

Source: HLBB Global Markets Research

### Up Next

Date	Events	Prior
26-Jan	JN PPI Services YoY (Dec)	1.70%
	SI Industrial Production SA MoM (Dec)	-1.20%
	HK Imports YoY (Dec)	-20.30%
	HK Exports YoY (Dec)	-24.10%
	US Chicago Fed Nat Activity Index (Dec)	-0.05
	US GDP Annualized QoQ (4Q A)	3.20%

	US Wholesale Inventories MoM (Dec P)	1.00%
	US Advance Goods Trade Balance (Dec)	-\$83.3b
	US Retail Inventories MoM (Dec)	0.10%
	US Core PCE QoQ (4Q A)	4.70%
	US Initial Jobless Claims	190k
	US Continuing Claims	1647k
	US Durable Goods Orders (Dec P)	-2.10%
	US Cap Goods Orders Nondef Ex Air (Dec P)	0.10%
	US New Home Sales MoM (Dec)	5.80%
27-Jan	US Kansas City Fed Manf. Activity (Jan)	-9
	JN Tokyo CPI YoY (Jan)	4.00%
	NZ ANZ Business Confidence (Jan)	-70.2
	AU PPI YoY (4Q)	6.40%
	US Personal Income (Dec)	0.40%
	US Personal Spending (Dec)	0.10%
	US Pending Home Sales MoM (Dec)	-4.00%
	US U. of Mich. Sentiment (Jan F)	64.6
	US U. of Mich. 1 Yr Inflation (Jan F)	4.00%
	US U. of Mich. 5-10 Yr Inflation (Jan F)	3.00%

Source: Bloomberg

### Hong Leong Bank Berhad

Fixed Income & Economic Research, Global Markets

Level 8, Hong Leong Tower

6, Jalan Damansara

Bukit Damansara

50490 Kuala Lumpur

Tel: 603-2081 1221

Fax: 603-2081 8936

[HLMarkets@hlbb.hongleong.com.my](mailto:HLMarkets@hlbb.hongleong.com.my)

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