

26 April 2023

## Global Markets Research

### Daily Market Highlights

## 26 April: Markets turned risk averse

**Global stocks and sovereign bond yields generally fell; DXY and JPY gained on haven appeal**

**US consumer confidence fell to 9-month low; Fed district activities worsened**

**New home sales jumped to 1Y high; better-than-expected house price data**

- Wall Street took a dive on Tuesday after First Republic Bank's earnings reignited concerns about the broader sector. Dow Jones Industrial Average fell 1.0% d/d, S&P 500 closed 1.6% d/d lower, while Nasdaq Composite dropped 2.0% d/d. Shares of First Republic Bank tumbled 49.4%. Transport stocks also took a hit, led by a 10.0% d/d plunge in UPS shares after the company warned that macro conditions would likely continue to drag on volume. On the flip side, earnings from McDonald's and PepsiCo continued to signal Americans' willingness to spend. Stock futures also rose following the bell as big tech earnings began to roll out and beat expectations, led by Microsoft and Alphabet. For the former, its Azure cloud services continued to grow despite at a slower rate. The latter, meanwhile, said that its boards had authorized a \$70bn share buyback.
- In Europe, Stoxx 600 fell 0.4% d/d, also led by declines in bank shares while FTSE100 lost 0.3% d/d. Asian markets were mostly lower, with Hang Seng dipping 1.7% d/d and CSI 300 edging down by 0.5% d/d. Nikkei 225, on the other hand, inched up slightly by 0.1% d/d.
- Pessimism over the economy also drove the yields for the benchmark 2- and 10Y UST down by 13bps and 9bps respectively to 3.95% and 3.40%. 10Y European bond yields also closed lower between 8 to 13bps.
- In the currencies market, DXY rebounded 0.5% d/d to 101.86 as market sentiment turned risk-averse. Similarly, safe haven JPY also strengthened 0.4% to 133.76. EUR and GBP weakened between 0.6%-0.7% d/d each, while in Asia, CNH, MYR and SGD depreciated between 0.3-0.6% d/d to 6.9420, 4.4500 and 1.3386 respectively against the USD.
- Prices of WTI and Brent fell 2.2% and 2.4% d/d amidst the cloudy economic outlook. The worse than expected consumer confidence prompted broad selling of this commodity. In a news update, crude shipments from Iraq's north and the Kurdish region remained halted. Price of gold, meanwhile, held steady and gained 0.3% d/d.

**US consumer sentiment fell to a 9-month low; regional activities deteriorated; new home sales jumped to a 1-year high**

- The Conference Board's Consumer Confidence Index fell more than expected to a 9-month low of 101.3 in April (March: 104.0). While assessment of the current business environment improved during the month, the Expectations

#### Key Market Metrics

	Level	d/d (%)
<b>Equities</b>		
Dow Jones	33,530.83	-1.02
S&P 500	4,071.63	-1.58
NASDAQ	11,799.16	-1.98
Stoxx Eur 600	467.08	-0.40
FTSE 100	7,891.13	-0.27
Nikkei 225	28,620.07	0.09
Hang Seng	19,617.88	-1.71
Straits Times	3,296.56	-0.84
KLCI 30	1,425.19	0.22
<b>FX</b>		
Dollar Index	101.86	0.51
EUR/USD	1.0973	-0.66
GBP/USD	1.2409	-0.62
USD/JPY	133.76	-0.36
AUD/USD	0.6626	-1.05
USD/CNH	6.9420	0.55
USD/MYR	4.4500	0.29
USD/SGD	1.3386	0.39
<b>Commodities</b>		
WTI (\$/bbl)	77.07	-2.15
Brent (\$/bbl)	80.77	-2.37
Gold (\$/oz)	1,994.00	0.25
Copper (\$\$/MT)	8,528.00	-2.32
Aluminum(\$/MT)	2,335.50	-1.91
CPO (RM/tonne)	4,192.50	-1.52

Source: Bloomberg, HLBB Global Markets Research

Index dipped to 68.1 (March: 74.0). As it is, this index has stayed below 80 since February 2022, signalling a looming recession in the short-term.

- Boosted by a retreat in mortgage rates, new home sales unexpectedly registered positive growth of +9.6% m/m in March (Feb: -3.9% m/m). At 683k units, this is also the highest level since March 2022. New home sales are counted at the signing of a contract, thus making them a leading indicator of the housing market. While data can be volatile, this suggests that the worst of the housing market may be over. Challenges nevertheless remained, in the form of tightening lending standards. Data also showed that median new house price accelerated to +3.8% m/m and +3.2% y/y (Feb: +1.1% m/m and +1.4% y/y). At March's sales pace it would also take 7.6 months to clear the supply of houses on the market (Feb: 8.4 months).
- Separate data from FHFA also showed that house prices unexpectedly accelerated by +0.5% y/y in February (Jan: +0.1% m/m), while the S&P CoreLogic National Composite, which had declined for 7 months, rose a modest 0.2% m/m for the same month (Jan: -0.6% m/m). It is now 4.9% below its peak in June 2022.
- At district levels, Richmond Fed's Manufacturing Index deteriorated more than expected to -10 in April (March: -5), while its services sector worsened to -27 (March: -17). Similarly, Philadelphia Fed's Non-Manufacturing Activity index fell to -22.8 (March: -12.8), suggesting continued weakening in the services sector. In contrast, the Dallas Fed Services Activity Index remained negative but improved to -14.4 (March: -18.0).

#### **UK CBI trends total orders held steady**

- The CBI manufacturing orders unexpectedly held steady at -20 in April (March: -20), but the quarterly business optimism improved to -2 (Jan: -5). Notably, improvements were seen in exports orders and stocks but these were offset by a deterioration in output volume.

#### **Japan's PPI-Services eased more than expected to 1.6%**

- Japan's Services PPI eased more than expected to 1.6% y/y in March (Feb: 1.8% y/y). As it is, BOJ is set to meet at the end of the week and there is no change in our call that policy makers will maintain its ultra-easy yield curve control policy during the policy meeting.

#### **Hong Kong's exports expectedly fall 1.5% y/y**

- Hong Kong's exports unexpectedly contracted 1.5% y/y in March (Feb: -8.8% y/y) as exports to China continued to fall. Exports to the US and EU, nevertheless, turned around to register growth. By product, the decline was led by electrical machinery, apparatus and appliances, and electrical parts as well as office machines and automatic data processing machines. Moving forward, slower growth in advanced economies will continue to weigh on demand, but this will be offset by an economic recovery in China as well as removal of restrictions for cross-boundary truck movement.

#### **Malaysia's foreign reserves marched higher to \$115.9bn**

- Malaysia's foreign reserves added another \$0.4bn in 1H of April to \$115.9bn as at April 14 (end-March: +\$1.5bn to \$115.5bn). The reserves position is sufficient to finance 5.1 months of imports and is 1.1 times of the total short-term external debt.

### House View and Forecasts

FX	This Week	2Q-23	3Q-23	4Q-23	1Q-24
DXY	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
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%
27-April	CH Industrial Profits YTD YoY (Mar)	-22.90%
	JN Leading Index CI (Feb F)	97.7
	EC Consumer Confidence (Apr F)	-17.5
	US Initial Jobless Claims	245k
	US Continuing Claims	1865k
	US GDP Annualized QoQ (1Q A)	2.60%
	US Pending Home Sales MoM (Mar)	0.80%
	US Kansas City Fed Manf. Activity (Apr)	0

Source: Bloomberg

### Hong Leong Bank Berhad

Fixed Income & Economic Research, Global  
Markets  
Level 8, Hong Leong Tower  
6, Jalan Damanlela  
Bukit Damansara  
50490 Kuala Lumpur  
Tel: 603-2081 1221  
Fax: 603-2081 8936

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

**DISCLAIMER**

This report is for information purposes only and does not take into account the investment objectives, financial situation or particular needs of any particular recipient. The information contained herein does not constitute the provision of investment advice and is not intended as an offer or solicitation with respect to the purchase or sale of any of the financial instruments mentioned in this report and will not form the basis or a part of any contract or commitment whatsoever.

The information contained in this publication is derived from data obtained from sources believed by Hong Leong Bank Berhad ("HLBB") to be reliable and in good faith, but no warranties or guarantees, representations are made by HLBB with regard to the accuracy, completeness or suitability of the data. Any opinions expressed reflect the current judgment of the authors of the report and do not necessarily represent the opinion of HLBB or any of the companies within the Hong Leong Bank Group ("HLB Group"). The opinions reflected herein may change without notice and the opinions do not necessarily correspond to the opinions of HLBB. HLBB does not have an obligation to amend, modify or update this report or to otherwise notify a reader or recipient thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

HLB Group, their directors, employees and representatives do not have any responsibility or liability to any person or recipient (whether by reason of negligence, negligent misstatement or otherwise) arising from any statement, opinion or information, expressed or implied, arising out of, contained in or derived from or omission from the reports or matter.

Potential and actual conflict of interest may arise from the activities of HLB Group. HLB Group constitute a diversified financial services group. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, hedging transactions and other activities for their own account or the account of others. In the ordinary course of their business, HLB Group may effect transactions for their own account or for the account of their customers and hold long or short positions in the financial instruments. HLB Group, in connection with its business activities, may possess or acquire material information about the financial instruments. Such activities and information may involve or have an effect on the financial instruments. HLB Group have no obligation to disclose such information about the financial instruments or their activities.

The past performance of financial instruments is not indicative of future results. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Any projections or forecasts mentioned in this report may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information. No assurance can be given that any opinion described herein would yield favourable investment results. Recipients who are not market professional or institutional investor customer of HLBB should seek the advice of their independent financial advisor prior to taking any investment decision based on the recommendations in this report.

HLBB may provide hyperlinks to websites of entities mentioned in this report, however the inclusion of a link does not imply that HLBB endorses, recommends or approves any material on the linked page or accessible from it. Such linked websites are accessed entirely at your own risk. HLBB does not accept responsibility whatsoever for any such material, nor for consequences of its use.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. This report is for the use of the addressees only and may not be redistributed, reproduced or passed on to any other person or published, in part or in whole, for any purpose, without the prior, written consent of HLBB. The manner of distributing this report may be restricted by law or regulation in certain countries. Persons into whose possession this report may come are required to inform themselves about and to observe such restrictions. By accepting this report, a recipient hereof agrees to be bound by the foregoing limitations.