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Global Markets Research

Daily Market Highlights

27 April: US banking jitters eclipsed tech earnings

DXY retreated to 101.47; Oil plunged nearly 4% on recession fears

Orders for core capital good slid more than expected; durable goods orders jumped on aircraft

MAS maintained Singapore's GDP forecast for 2023 at 0.5%-2.5%

- The Dow Jones Industrial Average lost more than 200 points and closed 0.7% d/d lower as worries over First Republic Bank facing potential Fed borrowing curb eclipsed strong earnings from big techs. The S&P 500 slid 0.4% d/d, pulled down by lenders such First Republic which lost another 29.8% d/d. The tech-heavy Nasdaq Composite, nevertheless, added 0.5% d/d while Meta Platforms surged after hours after its earnings topped estimates on ad recovery, European stock markets also closed lower on bank jitters. Stoxx 600 shed 0.8% d/d, while FTSE100 lost 0.5% d/d. Asian markets closed mixed, with Nikkei 225 dipping 0.7% d/d, but Hang Seng index climbed 0.7% d/d.
- UST ended the choppy session off their lows and yields on the 2 and 10Y settled 6bps and 5bps higher at 3.95% and 3.45% respectively. The 10Y European bond yields traded mixed, closing between -5bps and +4bps.
- The greenback retreated on Wednesday on further signs of a US economic slowdown after orders for core capital goods slipped more than expected and amidst a looming vote in Congress over the debt ceiling. DXY dipped 0.4% d/d to 101.47, but off the day low of 101.01. EUR rebounded by 0.6% d/d, while GBP appreciated by 0.5% d/d. In Asia, CNH closed flat, while JPY weakened slightly by 0.1% d/d as investors turned their attention to the upcoming BOJ policy meeting led by new Governor Kazuo Ueda. MYR closed 0.2% d/d weaker at 4.4575, while SGD strengthened 0.2% d/d at 1.3355.
- The WTI and Brent plunged 3.6% d/d and 3.8% d/d respectively amidst recession fears. This nullified Energy Information Agency's report that showed US crude inventories falling more than expected. Similarly, the price of gold wavered and swung to a 0.4% d/d loss after its brief run at \$2k/oz.

Sluggish orders for capital goods in the US, durable goods jumped on aircraft; trade deficit narrowed more than expected; mortgage application increased despite higher rates

- Orders for non-defense capital goods excluding aircraft, a proxy for business spending plans, contracted more than expected by 0.4% m/m in March (Feb: -0.7% m/m) as higher borrowing costs and cloudy economic outlook weighed down on capital investment. Core-capital goods, which is used to help calculate GDP, also fell 0.4% m/m (Feb: -0.4% m/m), but bookings for durable goods exceeded all estimates to jump 3.2% m/m (Feb: -1.2% m/m). This was boosted by a 78.4% surge in commercial aircraft as Boeing reportedly ordered 60 aircrafts in March. Stripping this, orders rose a mere 0.3% m/m (Feb: -0.3% m/m).

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	33,301.87	-0.68
S&P 500	4,055.99	-0.38
NASDAQ	11,854.35	0.47
Stoxx Eur 600	463.21	-0.83
FTSE 100	7,852.64	-0.49
Nikkei 225	28,416.47	-0.71
Hang Seng	19,757.27	0.71
Straits Times	3,293.91	-0.08
KLCI 30	1,414.25	-0.77
FX		
Dollar Index	101.47	-0.39
EUR/USD	1.1041	0.62
GBP/USD	1.2469	0.48
USD/JPY	133.67	-0.07
AUD/USD	0.6603	-0.35
USD/CNH	6.9413	-0.01
USD/MYR	4.4575	0.17
USD/SGD	1.3355	-0.23
Commodities		
WTI (\$/bbl)	74.30	-3.59
Brent (\$/bbl)	77.69	-3.81
Gold (\$/oz)	1,985.70	-0.42
Copper (\$\$/MT)	8,552.50	0.29
Aluminum(\$/MT)	2,327.00	-0.36
CPO (RM/tonne)	4,098.50	-2.24

Source: Bloomberg, HLBB Global Markets Research

- Trade deficit narrowed more than expected to \$84.6bn in March (Feb: \$92.0bn) as exports rebounded to grow by 2.9% m/m (Feb: -3.8% m/m), while imports remained in contractionary mode at -1.0% m/m (Feb: -2.2% m/m). The increase in exports was boosted by industrial supplies, motor vehicles as well as consumer goods, while imports were pulled down by decreases in industrial supplies. The Commerce Department also reported that wholesale inventories were unchanged at + 0.1% m/m (Feb: +0.1% m/m), while retail inventories accelerated to +0.7% m/m (Feb: +0.3% m/m). Excluding motor vehicles, retail inventories rebounded 0.4% m/m (Feb: -0.1 m/m). This component goes into the calculation of GDP.
- Despite mortgage rates increasing for the second straight week to their highest level in over a month, mortgage applications rebounded to rise 3.7% w/w for the week ended April 21 (Apr 14: -8.8% w/w). As it is, activity was still nearly 28% below last year's pace, as high mortgage rates and low inventory slowed the market this year, even as home price growth has decelerated.

Australia's inflation eased less than expected

- Australia's inflation rate eased less than expected to 1.4% q/q and 7.0% y/y respectively in 1Q (4Q 2022: +1.9% q/q and +7.8% y/y). In tandem with this, trimmed mean also softened to +6.6% y/y and +1.2% q/q respectively (4Q: +6.9% y/y and +1.7% q/q). The most significant contributors to the deceleration in prices were furniture, household appliances, clothing and fuel. As it is, the RBA is scheduled to meet on May 2, and swap contracts showed about an 85% probability that RBA will stay pat, as compared to 75% before the release of this data.

Contraction in Singapore's IPI slowed; MAS maintained GDP forecast for 2023 at 0.5%-2.5%

- Singapore's industrial production (IPI) registered its 6th month of contraction, albeit at a slower than expected pace at -4.2% y/y in March (Feb: -9.7% y/y). Excluding the volatile biomedical manufacturing cluster, factory output fell 6.0% y/y (Feb: -5.8% y/y) as the key electronics sector declined 8.0% y/y (Feb: -11.4% y/y).
- Key highlights from MAS' latest Macroeconomic Review include:
 - 1) No change in Singapore's GDP growth forecast at 0.5%-2.5% for 2023 (2022: +3.6%), with risks tilted on the downside. This is on the back of a still sluggish global electronics industry as well as tightened global financial conditions.
 - 2) Should other latent vulnerabilities in the global financial system manifest, MAS expects consumer and investor confidence to take a hit and this could spill over beyond the current manufacturing-led downturn. Nevertheless, MAS added that the domestic banking sector appeared to be well-insulated as local banks have diversified, large corporate-heavy and Asia-centric loan books with minimal exposure to tech start-ups. Local banks also hold less than 20% of their total assets in bonds (SVB: 55%) and the bulk of their assets are floating rate loans.
 - 3) Core and headline inflation are projected to average 3.5%-4.5% and 5.5%-6.5% respectively for 2023, with the latter reflecting tight supply of COE and firm accommodation costs. Excluding the effects of the GST hike, core and headline inflation are expected to be lower at 2.5%-3.5% and 4.5%-5.5% respectively. MAS added that moderating imported inflation, lower commodity prices, stronger S\$NEER and cyclical easing of wage growth will temper growth price pressures.

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
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%
28-April	US Kansas City Fed Manf. Activity (Apr)	0
	UK Lloyds Business Barometer (Apr)	32
	JN Jobless Rate (Mar)	2.60%
	JN Tokyo CPI YoY (Apr)	3.30%
	JN Industrial Production MoM (Mar P)	-4.60%
	JN Retail Sales MoM (Mar)	1.40%
	AU Private Sector Credit MoM (Mar)	0.30%
	AU PPI YoY (1Q)	5.80%
	JN Housing Starts YoY (Mar)	-0.30%
	EC GDP SA QoQ (1Q A)	0.00%
	US Employment Cost Index (1Q)	1.00%
	US Personal Income (Mar)	0.30%
	US Personal Spending (Mar)	0.20%
	US PCE Deflator YoY (Mar)	5.00%
	US PCE Core Deflator YoY (Mar)	4.60%
	US MNI Chicago PMI (Apr)	43.8
	US U. of Mich. Sentiment (Apr F)	63.5
	US U. of Mich. 1 Yr Inflation (Apr F)	4.60%
	US U. of Mich. 5-10 Yr Inflation (Apr F)	2.90%

Source: Bloomberg

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