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Global Markets Research

Daily Market Highlights

27 June: Risk aversion prevails

Tech-heavy NASDAQ led declines in equities; markets reassess central banks' policy move
UST advanced on paring of rate cut bets; DXY weakened for the first time in three days
Political tension in Russia appears shortlived; offering some reprieves

- Major global stock indices were largely sold off on Monday, as lingering risk-off sentiments stemming from recession fear and anxiety over Russia turmoil continued to keep investors at bay. All the three major US benchmark stock indices fell, led by a 1.2% d/d decline in NASDAQ amid massive selloffs in Nvidia, Meta and Tesla. The Dow and S&P500 saw modest losses of 0.04-0.5%. European and FTSE100 indices also slipped 0.1% while key Asian stocks also ended largely in the red. Nikkei 225 and Hang Seng fell 0.3% and 0.5% d/d respectively while the Singapore STI and Malaysia KLCI lost 0.1% each. Futures are pointing to mixed openings in Asian equities today.

- Global bonds continued to advance for a second straight day, pushing yields lower. The UST yields fell between 0-2bps save for the front end 2Y note and ultralong end 30Y which added less than a bp each. 10Y German bunds lost 5bps to 2.31% while the UK gilts shed 2bps to 4.29%.

- On the FX front, the DXY weakened for the first time in three days, falling 0.2% d/d to 102.69, as investors reassessed central banks' policy moves, and as expectations of a shortlived Russian upheaval pared flight to safety bids. The greenback weakened against 7 G10s, the most vs the NOK and NZD, but it managed to strengthen against 8 major Asian currencies. The CNH lost 0.4% while the SGD saw more muted losses of 0.1%. On the contrary, the MYR strengthened slightly by 0.1% d/d to 4.6750.

- Global oil prices snapped two consecutive days of declines and advanced, spurred by tensions in Russia but gains were modest at between 0.3-0.5% on believes that the Russian turmoil is shortlived and will not lead to an oil supply crunch. The Brent closed 0.5% higher at $74.18/ barrel while the WTI rebounded to increase 0.3% d/d to $69.37/ barrel.

Continued negative print in US Dallas Fed manufacturing outlook

- Dallas Fed manufacturing index improved less than expected to -23.2 in Jun (May: -29.1), and remained in negative territory for the 14th straight month, pointing to continued weakness in the Dallas district's manufacturing sector. A less pessimistic company outlook reading (-10.7 vs -22.3) is negated by deeper declines in production, new orders, and shipment. Prices paid for raw materials increased at a much slower pace (1.4 vs 13.8) while prices paid for finished goods declined (-1.9 vs 0.4), signalling inflation is decelerating. The outlook uncertainty index has however picked up (16.7 vs 13.4).

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	33,714.71	-0.04
S&P 500	4,328.82	-0.45
NASDAQ	13,335.78	-1.16
Stoxx Eur 600	452.68	-0.10
FTSE 100	7,453.58	-0.11
Nikkei 225	32,698.81	-0.25
Hang Seng	18,794.13	-0.51
Straits Times	3,189.68	-0.06
KLCI 30	1,389.88	-0.07
FX		
Dollar Index	102.69	-0.21
EUR/USD	1.0906	0.11
GBP/USD	1.2713	-0.01
USD/JPY	143.51	-0.13
AUD/USD	0.6675	-0.07
USD/CNH	7.2429	0.38
USD/MYR	4.6750	-0.07
USD/SGD	1.3535	0.12
Commodities		
WTI ($/bbl)	69.37	0.30
Brent ($/bbl)	74.18	0.45
Gold ($/oz)	1,923.70	0.24
Copper ($$/MT)	8,391.00	0.01
Aluminum($/MT)	2,148.50	-1.20
CPO (RM/tonne)	3,647.50	0.82

Source: Bloomberg, HLBB Global Markets Research

Japan producer prices for services saw steady increase in May

- PPI services unexpectedly held steady at 1.6% y/y in May (Apr: +1.6%), against expectations for a pick-up to 1.8% y/y. The steady rise and the lowest print this year offered some hopes that inflationary pressure is under control, hence allowing BOJ to maintain its ultraloose monetary policy.

Singapore industrial output reported a bigger than expected decline in May

- May industrial production saw a bigger than expected contraction of 10.8% y/y in May, deepening from the 6.5% y/y decline seen in April to mark its biggest decline since Nov-19. Extended declines in the production of electronics (-23.0% vs -8.7%), chemicals (-9.5% vs -6.1%), and precision engineering and general manufacturing impeded overall IPI. Expectations for further softening in global demand and downcycle in the global semiconductor sector suggest industrial production is at risk of further contraction going forward, somewhat raising risks of a technical recession in the Singapore economy.

House View and Forecasts

FX	This Week	2Q-23	3Q-23	4Q-23	1Q-24
DXY	101-104	100.97	99.96	97.96	96.98
EUR/USD	1.07-1.11	1.10	1.11	1.12	1.13
GBP/USD	1.26-1.29	1.24	1.25	1.24	1.24
USD/JPY	141-146	131	130	128	128
AUD/USD	0.66-0.69	0.68	0.68	0.69	0.70
USD/MYR	4.61-4.70	4.39	4.35	4.31	4.28
USD/SGD	1.33-1.36	1.31	1.30	1.27	1.26

Rates, %	Current	2Q-23	3Q-23	4Q-23	1Q-24
Fed	5.00-5.25	5.00-5.25	5.00-5.25	5.00-5.25	5.00-5.25
ECB	4.00	4.00	4.25	4.25	4.25
BOE	4.50	5.00	5.50	5.50	5.50
BOJ	-0.10	-0.10	-0.10	-0.10	-0.10
RBA	4.10	4.10	4.10	4.10	4.10
BNM	3.00	3.00	3.00	3.00	3.00

Source: HLBB Global Markets Research

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Date	Events	Prior
27-June	JN Leading Index CI (Apr F)	97.6
	HK Exports YoY (May)	-13.00%
	US Durable Goods Orders (May P)	1.10%
	US FHFA House Price Index MoM (Apr)	0.60%
	US S&P CoreLogic CS US HPI YoY NSA (Apr)	0.66%
	US New Home Sales MoM (May)	4.10%
	US Conf. Board Consumer Confidence (Jun)	102.3
	US Richmond Fed Manufact. Index (Jun)	-15
	US Richmond Fed Business Conditions (Jun)	-17
	US Dallas Fed Services Activity (Jun)	-17.3
28-June	AU CPI YoY (May)	6.80%
	CH Industrial Profits YTD YoY (May)	-20.60%
	US MBA Mortgage Applications (23-Jun)	0.5%
	US Wholesale Inventories MoM (May P)	-0.10%
	US Advance Goods Trade Balance (May)	-$96.8b
	US Retail Inventories MoM (May)	0.20%

Source: Bloomberg

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