

28 February 2023

Global Markets Research

Daily Market Highlights

28 Feb: Wall Street posted modest gains

DXY stumbled; GBP and EUR rallied on deal over Northern Ireland

US pending home sales climbed the most since Jun-20; core capital goods orders jumped

Hong Kong reported biggest drop in exports in 70 years at -36.7%

- Wall Street closed Monday with modest gains after fluctuating the last stretch of the trading session. The S&P 500 and NASDAQ 100 bounced back to gain 0.3% and 0.6% d/d, while Dow Jones edged up by 0.2% d/d. Investors remained on edge after Fed Governor Philip Jefferson firmly stood by the central bank's 2.0% inflation goal. In Europe, Stoxx 600 closed 1.1% d/d higher, while FTSE100 gained 0.7% d/d. In Asia, both Nikkei 225 and Hang Seng slipped 0.1% d/d and 0.3% d/d.
- The 10-year Treasury yield declined 3bps to hover around 3.91%, while the 2-year Treasury yield retreated from its near 16-year high to 4.78%, down 4bps.
- DXY stumbled as selling pressures emerged after hitting 105.36. The index closed the day 0.5% d/d lower at 104.67. News of agreement between the UK and EU to end the Brexit trading dispute with respect to Northern Ireland, meanwhile, supported GBP and EUR. The two currencies strengthened 0.6% and 1.0% d/d respectively. In Asia, JPY gained 0.2% d/d while CNH appreciated by 0.3% d/d. SGD also strengthened by 0.3% d/d to 1.3465. MYR, on the other hand, weakened 1.0% d/d to 4.4785.
- Oil prices slid between 0.8%-0.9% d/d as strong US economic data had investors bracing for more interest rate hikes from the Fed, which could slow economic growth and oil demand. Losses were limited by oil supply concerns after Russia halted exports to Poland via a key pipeline. Price of gold, meanwhile, rose 0.9% d/d on a pullback in USD.

US pending home sales climbed the most since June 2020; core capital goods orders jumped 0.8%

- Pending home sales climbed the most since June 2020, with sales beating all expectations to increase by +8.1% m/m in January (Dec: +1.1% m/m). Moving forward, the National Association of Realtors (NAR) expects annual existing-home sales to drop 11.1% in 2023 before jumping 17.7% in 2024. NAR also predicts median existing-home prices will be stable, decreasing by 1.6% in 2023 before regaining positive traction at +3.1% in 2024.
- Core capital goods orders, a proxy for investment in equipment that excludes aircraft and military hardware, improved more than expected by 0.8% m/m in January (Dec: -0.3% m/m). This is the most in 5 months, suggesting that businesses continue to make long term capital investments. While bookings for machinery, computers and electrical equipment increased for the month,

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	32,889.09	0.22
S&P 500	3,982.24	0.31
NASDAQ	11,466.98	0.63
Stoxx Eur 600	462.58	1.07
FTSE 100	7,935.11	0.72
Nikkei 225	27,423.96	-0.11
Hang Seng	19,943.51	-0.33
Straits Times	3,263.24	-0.58
KLCI 30	1,455.50	-0.09
FX		
Dollar Index	104.67	-0.51
EUR/USD	1.0609	0.58
GBP/USD	1.2064	1.00
USD/JPY	136.19	-0.21
AUD/USD	0.6739	0.19
USD/CNH	6.9608	-0.29
USD/MYR	4.4785	0.97
USD/SGD	1.3465	-0.30
Commodities		
WTI (\$/bbl)	75.68	-0.84
Brent (\$/bbl)	82.45	-0.85
Gold (\$/oz)	1,824.90	0.89
Copper (\$\$/MT)	8,802.00	0.98
Aluminum(\$/MT)	2,363.00	1.18
CPO (RM/tonne)	4,178.50	-0.35

Source: Bloomberg, HLBB Global Markets Research

total durable goods orders plunged 4.5% m/m (Dec: +5.1% m/m), the sharpest decline since April 2022 due to a sharp pullback in commercial aircraft.

- The Dallas Fed Manufacturing Activity worsened more than expected to -13.5 in February (Jan: -8.4). The production index, a key measure of state manufacturing conditions, edged down to -2.8 (Jan: +0.2), the first contraction since May 2020. Expectations regarding future manufacturing activity were mixed. The future production index pushed further into positive at 21.3 (Jan: +16.1), signalling output growth is expected over the next six months. The future general business activity index was slightly negative at -2.9 (Jan: -9.1).

Eurozone's economic confidence unexpectedly slowed; consumer confidence continued to improve

- Eurozone's economic confidence unexpectedly slowed to 99.7 in February (Jan: 99.8). Nevertheless, consumer confidence continued its recovery (-19.0 vs -Jan: 20.7), improving for the fifth month in a row. Consumers were more positive about both their households' past and future financial situation. The latter translated into improving intentions to make major purchases. Consumers' views on the general economic situation in their country brightened markedly.

Japan's industrial output shrank for the first time in 3 months, retail sales stronger than expected

- Japan's final reading of leading index was left unchanged at 97.2 for the month of Dec (Nov: 97.7). This marks the second month of consecutive decline and negative contributions were seen across all sub-indices with the exception of machinery orders and consumer confidence.
- Japan's factory output shrank for the first time in 3 months in January, worse than consensus had anticipated at -4.6% m/m (Dec: +0.3% m/m). The drop adds to evidence of weakness in the economy and backing BOJ's decision to continue with its ultra-dovish monetary policy.
- On a brighter note, retail sales rose stronger than expected at +1.9% m/m in January, a positive sign that consumer spending remained resilient despite being hit by higher prices.

Hong Kong reported biggest drop in exports in 70 years at -36.7%

- Hong Kong's exports plunged more than expected by 36.7% y/y in January (Dec: -23.5% y/y). This is the biggest monthly drop in 70 years, a decline the government partially blamed on the continued weak external environment as well as an early Lunar New Year holiday. Declines were recorded across Asia, with exports to Japan down 50.0% y/y, Singapore down 45.2% y/y and China - 43.7% y/y. Moving forward, slower global economic growth will continue to pose challenges to exports in the near term, but the expected faster growth of the Chinese economy and the lifting of cross-boundary truck movement restrictions should alleviate part of the pressure.

House View and Forecasts

FX	This Week	1Q-23	2Q-23	3Q-23	4Q-23
DXY	103-105	105	104	103	102
EUR/USD	1.05-1.07	1.05	1.06	1.06	1.06
GBP/USD	1.18-1.20	1.20	1.21	1.21	1.21
USD/JPY	133-135	134	132	132	131
AUD/USD	0.67-0.69	0.69	0.69	0.70	0.71
USD/MYR	4.45-4.50	4.40	4.36	4.30	4.25
USD/SGD	1.33-1.35	1.33	1.31	1.29	1.27

Rates, %	Current	1Q-23	2Q-23	3Q-23	4Q-23
Fed	4.50-4.75	4.75-5.00	5.25-5.50	5.25-5.50	5.25-5.50
ECB	3.00	3.50	3.75	3.75	3.75
BOE	4.00	4.25	4.25	4.25	4.25
BOJ	-0.10	-0.10	-0.10	-0.10	-0.10
RBA	3.35	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
28-Feb	UK Lloyds Business Barometer (Feb)	22
	AU Retail Sales MoM (Jan)	-3.90%
	AU Private Sector Credit MoM (Jan)	0.30%
	SI Unemployment rate SA (Jan)	2.00%
	JN Housing Starts YoY (Jan)	-1.70%
	JN Annualized Housing Starts (Jan)	0.846m
	HK Budget Balance HKD (Jan)	87.1b
	AU CoreLogic House Px MoM (Feb)	-1.10%
	US Wholesale Inventories MoM (Jan P)	0.10%
	US Advance Goods Trade Balance (Jan)	-\$90.3b
	US House Price Purchase Index QoQ (4Q)	0.10%
	US FHFA House Price Index MoM (Dec)	-0.10%
	US S&P CoreLogic CS 20-City MoM SA (Dec)	-0.54%
	US MNI Chicago PMI (Feb)	44.3
	US Richmond Fed Manufact. Index (Feb)	-11
	US Conf. Board Consumer Confidence (Feb)	107.1
	US Richmond Fed Business Conditions (Feb)	-10
	US Dallas Fed Services Activity (Feb)	-15
1-March	AU Judo Bank Australia PMI Mfg (Feb F)	50.1
	AU GDP SA QoQ (4Q)	0.60%
	JN Jibun Bank Japan PMI Mfg (Feb F)	47.4
	MA S&P Global Malaysia PMI Mfg (Feb)	46.5
	VN S&P Global Vietnam PMI Mfg (Feb)	47.4
	AU CPI YoY (Jan)	8.40%
	CH Manufacturing PMI (Feb)	50.1
	CH Non-manufacturing PMI (Feb)	54.4
	CH Caixin China PMI Mfg (Feb)	49.2
	EC S&P Global Eurozone Manufacturing PMI (Feb F)	48.5
	UK Net Consumer Credit (Jan)	0.5b
	UK S&P Global/CIPS UK Manufacturing PMI (Feb F)	49.2
	US MBA Mortgage Applications	-13.30%
	US S&P Global US Manufacturing PMI (Feb F)	47.8
	US Construction Spending MoM (Jan)	-0.40%
	US ISM Manufacturing (Feb)	47.4

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

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