

28 March 2023

Global Markets Research

Daily Market Highlights

28 March: Wall Street closed mixed

Financial stocks gained as First Citizen BancShares buys SVB; tech stocks retreated
2Y UST yield topped 4%; oil prices jumped on production halt in Iraq and French strikes
German IFO rose to the highest in a year; Hong Kong exports remained contractionary

- Gains in financial shares lifted Wall Street overnight, with the Dow Jones Industrial Average rising 0.6% d/d while S&P 500 hang on around the 4k level, gaining 0.2% d/d. The tech-heavy Nasdaq Composite, on the other hand, finished lower by 0.5% d/d in the tug of war between banking and tech stocks. Market sentiment was lifted after policy makers took swift steps to prevent a broader contagion in the banking turmoil. First Citizen BancShares Inc rallied more than 50% after agreeing to buy Silicon Valley Bank.

European markets closed higher with cautious optimism returning after a sharp loss in Friday's session. Stoxx 600 index closed up 1.1% d/d, while FTSE 100 gained 0.9% d/d. Asia-Pacific markets were mixed as investors waited to assess the impact of the banking troubles. Hang Seng index dipped 1.8% d/d, while Nikkei 225 added 0.3% d/d.

- US Treasuries rose across the board, with the yield of the 2-year gaining 23bps d/d and topping 4.00% once again. The 10-year yield rose 15bps d/d to 3.53%. The yield for the 2-year European bonds rose 11-13bps, while the 10-year gained 9-10bps.
- The Dollar Index was down 0.3% d/d as the greenback weakened against most of its G10 peers. During the day, Fed Vice Chair for Supervision Michael Barr said regulators are prepared to use all their tools for any size institutions, as needed to keep the system safe and sound. EUR strengthened 0.4% d/d, a modest gain after the bright IFO data. ECB Governing Council member Gediminas Simkus also said that financial stability is an important factor in assessing the monetary policy. GBP appreciated 0.4% d/d as BOE Governor noted inflation concerns though added that interest rates will probably remain below the highest seen before the crisis. In Asia, JPY weakened 0.6% d/d, while CNH depreciated 0.2% d/d. MYR and SGD strengthened between 0.1%-0.2% d/d respectively to 4.4190 and 1.3313.
- Oil prices jumped after Iraq was forced to halt about 400k barrels of crude exports per day from its semi-autonomous Kurdistan region due to legal dispute. French refineries are also running a fraction of normal capacity amidst strikes. Brent was up 4.2% d/d, while the West Texas Intermediate rose 5.1% d/d. Price of gold fell 1.5% d/d as worries over a crisis in the banking sector subsided, prompting investors to scale back safe-haven trades.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	32,432.08	0.60
S&P 500	3,977.53	0.16
NASDAQ	11,768.84	-0.47
Stoxx Eur 600	444.72	1.05
FTSE 100	7,471.77	0.90
Nikkei 225	27,476.87	0.33
Hang Seng	19,567.69	-1.75
Straits Times	3,239.03	0.82
KLCI 30	1,396.60	-0.22
FX		
Dollar Index	102.86	-0.25
EUR/USD	1.0798	0.35
GBP/USD	1.2287	0.44
USD/JPY	131.57	0.64
AUD/USD	0.6651	0.09
USD/CNH	6.8828	0.23
USD/MYR	4.4190	-0.24
USD/SGD	1.3313	-0.07
Commodities		
WTI (\$/bbl)	72.81	5.13
Brent (\$/bbl)	78.12	4.17
Gold (\$/oz)	1,953.80	-1.51
Copper (\$\$/MT)	8,964.00	0.48
Aluminum(\$/MT)	2,363.50	1.13
CPO (RM/tonne)	3,921.50	0.60

Source: Bloomberg, HLBB Global Markets Research

Texas manufacturing activity and outlook worsened

- The Dallas Fed Manufacturing index fell more than expected to -15.7 in March (Feb: -13.5). More importantly, expectations regarding future manufacturing activity were not promising, with the future production index remained positive but fell 8 points to 13.5, signalling well-below-average output growth over the next 6 months. The future general business activity index pushed further negative to -11.2 (Feb: -2.9). Most other measures of future manufacturing activity remained positive but moved lower this month.

German IFO highest in a year

- German IFO Business Climate Index unexpectedly jumped to 93.3 in March (Feb: 91.1), the highest in a year. More importantly, the Expectations Index improved to 91.2 (Feb: 88.4). As it is, despite the recent turbulence in the financial markets, the German economy is showing signs of stabilizing.

Japan's PPI Services accelerated to +1.8% y/y

- Japan's PPI-Services accelerated more than expected to +1.8% y/y in February (Jan: +1.6% y/y), a sign inflationary pressure was broadening. Notable pick-up in prices were seen for advertising, real estate and others. Separately, Japan's leading index was revised up 0.1pts to 96.6 in February (Jan: 97.2)

China's industrial profits slumped on weak demand

- China's industrial profits declined by 22.9% y/y in the first two months of 2023 (Whole of 2022: -4.0% y/y) as market demand hadn't recovered completely. Of note, makers of metal and furniture were amongst the worst performers, suggesting housing related demand remained weak.

Hong Kong's exports remained contractionary

- Hong Kong's exports fell for a ninth consecutive month, albeit at a slower pace than expected by 8.8% y/y in February (Jan: -36.7% y/y) as demand for goods from China and the rest of the world remained weak. Declines in shipments to mainland China and the US were, however, not as severe as in recent months at -12.7% y/y and -1.2% y/y respectively. Declines were also recorded across Asia. Moving forward, the Government expects a moderation of growth in advanced economies to weigh on Hong Kong's export performance in the near term, but this will be offset by the recovery in China and the removal of cross-boundary truck movement restrictions.

House View and Forecasts

FX	This Week	1Q-23	2Q-23	3Q-23	4Q-23
DX	101-103	105	104	103	102
EUR/USD	1.07-1.09	1.05	1.06	1.06	1.06
GBP/USD	1.21-1.25	1.20	1.21	1.21	1.21
USD/JPY	129-133	134	132	132	131
AUD/USD	0.66-0.68	0.69	0.69	0.70	0.71
USD/MYR	4.38-4.44	4.40	4.36	4.30	4.25
USD/SGD	1.32-1.34	1.33	1.31	1.29	1.27

Rates, %	Current	1Q-23	2Q-23	3Q-23	4Q-23
Fed	4.75-5.00	4.75-5.00	5.00-5.25	5.00-5.25	5.00-5.25
ECB	3.50	3.50	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	3.85	3.85	3.85
BNM	2.75	2.75	3.00	3.00	3.00

Source: HLBB Global Markets Research

Up Next

Date	Events	Prior
28-March	AU Retail Sales MoM (Feb)	1.90%
	US Wholesale Inventories MoM (Feb P)	-0.40%
	US Advance Goods Trade Balance (Feb)	-\$91.5b
	US Retail Inventories MoM (Feb)	0.30%
	US FHFA House Price Index MoM (Jan)	-0.10%
	US S&P CoreLogic CS 20-City MoM SA (Jan)	-0.51%
	US Conf. Board Consumer Confidence (Mar)	102.9
	US Richmond Fed Manufact. Index (Mar)	-16
	US Richmond Fed Business Conditions (Mar)	-6
29-March	US Dallas Fed Services Activity (Mar)	-9.3
	AU CPI YoY (Feb)	7.40%
	UK Net Consumer Credit (Feb)	1.6b
	UK Mortgage Approvals (Feb)	39.6k
	US MBA Mortgage Applications	3,00%
	US Pending Home Sales MoM (Feb)	8.10%

Source: Bloomberg

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