

28 April 2023

## Global Markets Research

### Daily Market Highlights

## 28 April: UST yields jumped on inflation surprises

**S&P 500 charted best gains since Jan; tech stocks led gains, overshadowing slower GDP growth**

**Pending home sales and jobless claims unexpectedly fell**

**All eyes on BOJ policy meeting and Governor Ueda's debut speech today**

- Led by better-than-expected earnings in tech stocks that outweighed concerns over slower economic growth, S&P 500 halted its 2-day loss and charted its best day since Jan. S&P 500 surged 2.0% d/d, with all major industries in the green. The tech-heavy NASDAQ 100 jumped 2.4% d/d, while Dow Jones Industrial Average climbed 1.6% d/d. Megacap tech stocks like Alphabet, Apple, Microsoft and Tesla were outperformers in the market. Stocks making biggest moves after hours meanwhile, include Intel, Snap, and Amazon, where the latter saw its 1Q profit and cloud-unit sales topping estimates.
- European stock markets closed mixed, with the Stoxx 600 up 0.2% d/d but FTSE100 dipped 0.3% d/d. Of note, earnings for Deutsche Bank and Barclays beat expectations, sending their shares up 2.2% d/d and 5.3% d/d respectively. In Asia, Nikkei 225 and Hang Seng gained 0.2% d/d and 0.4% d/d respectively.
- In the Treasuries market, the 2- and 10Y yields jumped 12 and 7bps to 4.07% and 3.52% respectively after US' 1Q GDP data showed that its price indices jumped above street estimates. 10Y European bond yields also closed up between 3-8bps.
- DXY inched up to 101.50 in late trading, gaining slightly less than +0.1% d/d, as prospects of another rate hike was reaffirmed with the higher growth in prices. EUR slipped 0.1% d/d, but GBP gained 0.2% d/d. Asian currencies performed mixed, with JPY weakening 0.2% d/d ahead of the BOJ meet, while CNH strengthened 0.2% d/d. MYR weakened 0.1% d/d to 4.4633, while SGD closed slightly stronger just above the flatline at 1.3349.
- Oil prices steadied, gaining between 0.6%-0.9% d/d after Russian Deputy Prime Minister Alexander Novak said OPEC+ does not see the need for further output cuts but is always able to adjust its policy. Price of gold also gained 0.7% d/d.

### US 1Q GDP softened more than expected to +1.1%, pending home sales and jobless claims unexpectedly fell

- US real GDP decelerated more than expected to +1.1% q/q in 1Q (4Q 2022: +2.6% q/q) as tepid business investment and a pullback in inventories tempered a pick-up in consumer spending. The latter accelerated to 3.7% q/q (4Q: +1.0% q/q), led by gains in both services and goods including motor vehicles. Business investment, meanwhile, posted its biggest drop since the start of the pandemic by -12.5% q/q (4Q: 4.5% q/q) while inventories subtracted the most from GDP in 2 years by 2.3ppts (4Q: +1.5ppts). Headline

#### Key Market Metrics

	Level	d/d (%)
<b>Equities</b>		
Dow Jones	33,826.16	1.57
S&P 500	4,135.35	1.96
NASDAQ	12,142.24	2.43
Stoxx Eur 600	464.03	0.18
FTSE 100	7,831.58	-0.27
Nikkei 225	28,457.68	0.15
Hang Seng	19,840.28	0.42
Straits Times	3,282.03	-0.36
KLCI 30	1,418.05	0.27
<b>FX</b>		
Dollar Index	101.50	0.04
EUR/USD	1.1028	-0.12
GBP/USD	1.2498	0.23
USD/JPY	133.97	0.22
AUD/USD	0.6631	0.42
USD/CNH	6.9301	-0.16
USD/MYR	4.4633	0.13
USD/SGD	1.3349	-0.04
<b>Commodities</b>		
WTI (\$/bbl)	74.76	0.62
Brent (\$/bbl)	78.37	0.88
Gold (\$/oz)	1,999.00	0.67
Copper (\$\$/MT)	8,586.50	0.40
Aluminum(\$/MT)	2,319.00	-0.34
CPO (RM/tonne)	4,154.00	1.00

Source: Bloomberg, HLBB Global Markets Research

and core PCE prices, meanwhile, accelerated to 4.2% (4Q: +3.7%) and 4.9% (4Q: +4.4%) respectively.

- Pending home sales unexpectedly fell for the first time since November 2022 by 5.2% m/m in March. (Feb: +0.8% m/m). Consequently, y/y pending transactions also fell more than forecast by -23.2% y/y (Feb: -21.1% y/y). The NAR attributed the contraction partially to limited housing inventory as multiple offers were observed in about a third of all listings.
- Initial jobless claims posted an unexpected drop of 16k to 230k for the week ended April 22 (Apr 15: +6k to 246k), while continuing claims fell 3k to 1858k for the week ended April 15 (Apr 8: +57k to 1861k).
- The Kansas City Fed Manufacturing Activity index declined more than expected to -10 April (March: 0), but expectations for future activity remained positive at +3. Of note, most firms reported that the number of job openings has stayed the same or little changed, while firms seeking short-term financing reported no difficulty obtaining it.

#### **Eurozone consumer confidence maintained at -17.5**

- Eurozone's consumer confidence was left unchanged at -17.5 in April (March: -19.1). As it is, confidence has improved from its all-time low in September 2022, supported by consumers' views on their household's past and future financial situation, expected general economic situation and their intentions to make major purchases.

#### **Japan's Leading Index revised upwards to 98.0**

- Japan's leading index was revised upward by 0.3ppts to 98.0 for February (Jan: 96.7). On a m/m basis, the uptick was predominantly driven by stock prices, machinery orders and small businesses sales forecast.
- A string of economic indicators released this morning generally came above expectations. Inflation in Tokyo unexpectedly accelerated to 3.5% y/y in April (March: +3.2% y/y), underpinned by gains in processed food, while Japan's retail sales grew 7.2% y/y and 0.6% m/m in March (Feb: +7.3% y/y and +2.1% m/m). Industrial output decelerated less than expected to +0.8% m/m (Feb: +4.6% m/m). On a negative note, jobless claims unexpectedly increased to 2.8% (Feb: 2.6%).
- Despite the unexpected acceleration in Tokyo's inflation, there is no change in our call that BOJ Ueda and his team will maintain its ultra-dovish policy during the policy meeting today.

#### **China's industrial profits slumped 21.4%**

- China's industrial profits slumped 21.4% y/y in 1Q, narrowing slightly from -22.9% y/y in Jan-Feb as a pick-up in factory output failed to offset the decline in prices. By sector, we note that profits at electrical equipment and machinery, non-ferrous metal as well as electricity/heat were the only sectors registering positive growths.

#### **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
28-April	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%
1-May	AU Judo Bank Australia PMI Mfg (Apr F)	48.1
	JN Jibun Bank Japan PMI Mfg (Apr F)	49.5
	AU Melbourne Institute Inflation YoY (Apr)	5.70%
	JN Consumer Confidence Index (Apr)	33.9
	US S&P Global US Manufacturing PMI (Apr F)	50.4
	US Construction Spending MoM (Mar)	-0.10%
	US ISM Manufacturing (Apr)	46.3

Source: Bloomberg

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