

28 June 2023

Global Markets Research

Daily Market Highlights

28 June: Risk-on amid easing recession fear

Stocks rebounded amid positive US data that dampened recession fear

UST yields rose in anticipation of revival of Fed rate hike after June's pause

DXY weakened a 2nd straight day; global crude oil fell

- Global equities eventually made a return as upside surprises in US data soothed concerns over a US recession. The Dow added 0.6% d/d while the S&P500 and NASDAQ clocked in bigger jumps of 1.2-1.7% on the day, led by tech megacaps including Tesla and Meta. European stocks also ended in the green while Asian markets closed mixed. The Nikkei 225 fell 0.5% but the Hang Seng jumped 1.9% amid a stronger CNY fixing and hopes that China will introduce more effective and practical stimulus to spur the China economy. Futures are pointing to higher openings in Asian equities today, tracking the overnight gains in US equities.
- Global bonds snapped a two-day advance, pushing yields lower across the US and European markets. The 10Y UST yields rose 4bps to 3.77% while the 2s added 8bps to 4.76%. 10Y European bond yields increased 2-4bps generally while the that of the UK gilts rose 8bps to 4.37%.
- On the FX front, the DXY weakened for the 2nd straight day, by a further 0.3% to 102.50. The greenback weakened against 6 G10s, 0.5% vs the EUR and 0.3% vs the GBP. Asian currencies traded on a more bullish note too, with the CNH, SGD and MYR all registered gains of between 0.2-0.3% yesterday against the USD, last settling at 7.2243, 1.3492 and 4.6663 respectively.
- Global oil prices fell again amid concerns that continuous rate hikes will push the world into a recession, hence reducing demand for oil. The Brent closed 2.3% lower at \$72.69/ barrel while the WTI fell 2.2% to \$68.03/ barrel.

Upside surprises in US data soothed recession fear

- Durable goods orders staged a surprised 1.7% m/m increase in May, following an upwardly revised 1.2% m/m gain in April, supported by higher orders for non-defense aircraft and parts. However, non-defense capital goods shipment which feeds directly into GDP calculation, grew at a slower pace of 0.2% m/m as expected (Apr: +0.4% m/m downwardly revised), implying a moderate gain in business investment and 2Q GDP.
- Regional Fed activity indices released overnight all improved for the month of June. Richmond Fed manufacturing index posted a better than expected reading of -7 in June (May: -15), thanks to smaller declines in shipment and capacity utilisation, while its business conditions index improved from -12 in June (May: -17), Dallas Fed services activity meanwhile registered a smaller negative print at -8.2 for the same month (May: -17.3), its best reading since Sep-22. A day earlier, its manufacturing activity index also showed an

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	33,926.74	0.63
S&P 500	4,378.41	1.15
NASDAQ	13,555.67	1.65
Stoxx Eur 600	452.90	0.05
FTSE 100	7,461.46	0.11
Nikkei 225	32,538.33	-0.49
Hang Seng	19,148.13	1.88
Straits Times	3,205.35	0.49
KLCI 30	1,386.74	-0.23
FX		
Dollar Index	102.50	-0.25
EUR/USD	1.0961	0.50
GBP/USD	1.2749	0.28
USD/JPY	144.07	0.39
AUD/USD	0.6686	0.16
USD/CNH	7.2243	-0.26
USD/MYR	4.6663	-0.19
USD/SGD	1.3492	-0.32
Commodities		
WTI (\$/bbl)	68.03	-2.16
Brent (\$/bbl)	72.69	-2.29
Gold (\$/oz)	1,923.30	-0.50
Copper (\$\$/MT)	8,350.00	-0.45
Aluminum(\$/MT)	2,192.50	2.17
CPO (RM/tonne)	3,687.00	1.08

Source: Bloomberg, HLBB Global Markets Research

improvement to -23.2 (May: -29.1), signalling a rather broad-based recovery in the district's economic activities.

- May new home sales also surprised on the upside, defying expectations for a small contraction to increase 12.2% m/m, but April's gain was revised lower from 4.1% to 3.5% m/m. This biggest increase since Aug-22 was boosted by limited supply in the secondary market, that prompted builders to start building more new homes. Inventories stood at 6.7 months of supply, its lowest since Feb-22.
- In other releases, April house prices saw better momentum. Both FHFA house prices and S&P CoreLogic house prices increased more than expected by 0.7% and 0.9% m/m respectively in April (Mar: +0.5% and +0.4% m/m). Compared to the previous corresponding month, S&P CoreLogic house prices continued to decelerate for the 12th straight month, contracted by 1.7% y/y in April (Mar: -1.1% y/y), to mark its first back to back contraction in eleven years.
- Conference Board consumer confidence improved more than expected to 109.7 in June (May: 102.5). This marked its most upbeat readings since Jan-22 as consumers turned more optimistic over the labour market and economic growth. Both the present situation and future outlook also improved, the former to its highest level in almost two years while the latter to a 6-month high. Inflation expectation also fell to its lowest level since 2020, adding to signs of easing price outlook.

Japan leading index points to a still soft growth outlook

- Final print of April leading index was revised down to 96.8, unchanged from March's reading, and has been staying below the 100-threshold for the 8th straight month suggesting a still soft growth outlook. Upticks in producers' final demand and new job offers were cushioned by weaker machinery orders and housing starts, among others.

Hong Kong exports fell more than expected in May

- May exports posted a bigger than expected decline of 15.6% y/y (Apr: -13.0% y/y), extending its losing streak into thirteen months taking the brunt of slump in the global economy. Exports to all major destinations fell at faster rates, notably to China (-17.5% y/y), the US (-17.7%), and Japan (-26.4%). Meanwhile, imports also surprised on the downside with a 16.7% y/y decline (Apr: -11.9%). Trade deficit however narrowed to HKD26.4bn in May, from HKD36.6bn in April as a result of the bigger decline in imports.

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

Up Next

Date	Events	Prior
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 Retail Inventories MoM (May)	0.20%
29-June	JN Retail Sales MoM (May)	-1.20%
	AU Retail Sales MoM (May)	0.00%
	JN Consumer Confidence Index (Jun)	36
	UK Net Consumer Credit (May)	1.6b
	UK Mortgage Approvals (May)	48.7k
	EC Consumer Confidence (Jun F)	-16.1
	US GDP Annualized QoQ (1Q T)	1.30%
	US Initial Jobless Claims (45444)	264k
	US Pending Home Sales MoM (May)	0.00%

Source: Bloomberg

Hong Leong Bank Berhad

Fixed Income & Economic Research, Global Markets

Level 8, Hong Leong Tower

6, Jalan Damansara

Bukit Damansara

50490 Kuala Lumpur

Tel: 603-2081 1221

Fax: 603-2081 8936

HLMarkets@hlbb.hongleong.com.my

DISCLAIMER

This report is for information purposes only and does not take into account the investment objectives, financial situation or particular needs of any particular recipient. The information contained herein does not constitute the provision of investment advice and is not intended as an offer or solicitation with respect to the purchase or sale of any of the financial instruments mentioned in this report and will not form the basis or a part of any contract or commitment whatsoever.

The information contained in this publication is derived from data obtained from sources believed by Hong Leong Bank Berhad ("HLBB") to be reliable and in good faith, but no warranties or guarantees, representations are made by HLBB with regard to the accuracy, completeness or suitability of the data. Any opinions expressed reflect the current judgment of the authors of the report and do not necessarily represent the opinion of HLBB or any of the companies within the Hong Leong Bank Group ("HLB Group"). The opinions reflected herein may change without notice and the opinions do not necessarily correspond to the opinions of HLBB. HLBB does not have an obligation to amend, modify or update this report or to otherwise notify a reader or recipient thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

HLB Group, their directors, employees and representatives do not have any responsibility or liability to any person or recipient (whether by reason of negligence, negligent misstatement or otherwise) arising from any statement, opinion or information, expressed or implied, arising out of, contained in or derived from or omission from the reports or matter.

Potential and actual conflict of interest may arise from the activities of HLB Group. HLB Group constitute a diversified financial services group. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, hedging transactions and other activities for their own account or the account of others. In the ordinary course of their business, HLB Group may effect transactions for their own account or for the account of their customers and hold long or short positions in the financial instruments. HLB Group, in connection with its business activities, may possess or acquire material information about the financial instruments. Such activities and information may involve or have an effect on the financial instruments. HLB Group have no obligation to disclose such information about the financial instruments or their activities.

The past performance of financial instruments is not indicative of future results. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Any projections or forecasts mentioned in this report may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information. No assurance can be given that any opinion described herein would yield favourable investment results. Recipients who are not market professional or institutional investor customer of HLBB should seek the advice of their independent financial advisor prior to taking any investment decision based on the recommendations in this report.

HLBB may provide hyperlinks to websites of entities mentioned in this report, however the inclusion of a link does not imply that HLBB endorses, recommends or approves any material on the linked page or accessible from it. Such linked websites are accessed entirely at your own risk. HLBB does not accept responsibility whatsoever for any such material, nor for consequences of its use.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. This report is for the use of the addressees only and may not be redistributed, reproduced or passed on to any other person or published, in part or in whole, for any purpose, without the prior, written consent of HLBB. The manner of distributing this report may be restricted by law or regulation in certain countries. Persons into whose possession this report may come are required to inform themselves about and to observe such restrictions. By accepting this report, a recipient hereof agrees to be bound by the foregoing limitations.