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Global Markets Research

Daily Market Highlights

29 March: Markets back on slight risk-on mode

Fed, FDIC hinted at regulatory and capital rule change for banks with \$100bn assets

2Y and 10Y UST yields rose 13bps and 4bps; 10Y European bond yields up 4-10bps

US consumer confidence staged a surprised uptick; home prices softened

- The Nasdaq Composite led losses in Wall Street as an uptick in rates put pressure on the tech-heavy index. Nasdaq shed 0.5% d/d, the Dow Jones Industrial Average lost 0.1% d/d, while S&P 500 fell 0.2% d/d. Bank stocks also slipped as the Federal Reserve and FDIC officials hinted at regulatory and capital rule change for banks with more than \$100bn in assets at the Senate Banking Committee hearing.

European stock markets closed mixed with investors seemingly in a holding pattern after a serious bout of market volatility. Stoxx 600 index closed less than 0.1% d/d lower, with many sectors having pared early morning gains. FTSE 100 closed up 0.2% d/d, while in Asia, both the Nikkei 225 and Hang Seng gained 0.2% and 1.1% d/d respectively.

- Treasury yields jumped to their highest level in nearly a week as fears of banking contagion ebbed further. Led by the 2-year note, yield rallied more than 13bps to trade at 4.08%, recovering from bank crisis dip. The yield on the benchmark 10-year rose by 4bps to 3.57%. The 2-year European bond yields rose in tune of 9bps, while the 10-year gained between 4-10bps.
- The Dollar Index fell for a second straight day by 0.4% d/d to 102.43 as easing worries about a banking crisis revived investors' appetite for riskier currencies. AUD, seen as a liquid proxy for risk appetite, was 0.9% d/d stronger, lifted by better-than-expected retail sales data. EUR and GBP strengthened between 0.4%-0.5% d/d each as the European government bond yields rose. JPY also closed 0.5% d/d stronger. Similarly, both the MYR and SGD appreciated between 0.3%-0.4% d/d respectively to 4.4010 and 1.3273.
- Oil clung on to gains as disagreements between Iraq and Kurdish officials curtailed exports. The market also shrugged off concerns of a build-up of crude vessels along the coast of France due to strikes. The West Texas Intermediate gained 0.5%, while Brent jumped 0.7% d/d. The price of gold edged higher by 1.0% d/d after 2 days of decline.

US consumer confidence increased; home prices continued to cool y/y

- Driven by an uptick in expectations, the Conference Board Consumer Confidence Index unexpectedly increased slightly to 104.2 in March (Feb: 103.4). The index nevertheless remains below the average level seen in 2022 (104.5) and was conducted 10 days after the bank failures in the US. The Expectations Index ticked up to 73.0 (Feb: 70.4) but is below the 80 threshold, the level which often signals a recession within the next year.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	32,394.25	-0.12
S&P 500	3,971.27	-0.16
NASDAQ	11,716.08	-0.45
Stoxx Eur 600	444.45	-0.06
FTSE 100	7,484.25	0.17
Nikkei 225	27,518.25	0.15
Hang Seng	19,784.65	1.11
Straits Times	3,255.54	0.51
KLCI 30	1,409.09	0.89
FX		
Dollar Index	102.43	-0.42
EUR/USD	1.0845	0.44
GBP/USD	1.2342	0.45
USD/JPY	130.89	-0.52
AUD/USD	0.6709	0.87
USD/CNH	6.8775	-0.08
USD/MYR	4.4010	-0.41
USD/SGD	1.3273	-0.30
Commodities		
WTI (\$/bbl)	73.20	0.54
Brent (\$/bbl)	78.65	0.68
Gold (\$/oz)	1,973.50	1.01
Copper (\$\$/MT)	8,978.00	0.16
Aluminum(\$/MT)	2,389.00	1.08
CPO (RM/tonne)	3,923.50	0.05

Source: Bloomberg, HLBB Global Markets Research

- Data continued to point to cooling home prices. FHFA House Price Index unexpectedly rebounded by +0.2% m/m in January (Dec: -0.1% m/m), supported by lower declining mortgage rates since early November. On a y/y basis however, prices softened to +5.3% (Dec: +6.7% y/y). FHFA also reported that inventories of available homes for sale remained low. The S&P CoreLogic Case-Shiller 20-City, meanwhile, fell at a slower pace than expected by 0.4% m/m for the same month (Dec: -0.5% m/m). On a y/y basis, prices also continued to decelerate to 2.6% y/y (Dec: +4.6% y/y). Market weakness was broadly based.
- Trade deficit unexpectedly widened slightly to \$91.6bn in March (Feb: \$91.1bn). This marked the third month that the deficit has grown, as the decline in exports (-3.8% m/m vs Feb: +5.0% m/m) exceeded the drop in imports (-2.3% m/m vs Feb: +3.7% m/m). Notably, exports of auto slid 11.9% m/m, the most in almost 3 years, while outbound shipments of consumer goods also fell 4.6% m/m. The decline in imports also reflected decreases in vehicles and consumer goods, with the latter recording its first contraction since November. The release also showed that retail inventories rose more than expected by 0.8% m/m in February (Jan: +0.1% m/m) while inventories at wholesalers unexpectedly grew 0.2% m/m (Jan: -0.5% m/m)
- Regional Fed activity indices remained in contraction. Richmond Fed manufacturing firms reported better than expected improvements in business conditions to -5 in March (Feb: -16). Of its three component indexes, shipments saw the largest change, rising notably to +2 (Feb: -15). Firms remained pessimistic about local business conditions at -12, nearly unchanged m/m. The Dallas Fed Services Activity index, meanwhile, worsened to -18.0 for the same month (Feb: -9.3). The company outlook index fell to -11.3 (Feb: -1.7), while the outlook uncertainty index rose 10 points to 22.8, above its series average of 13.5.

Australian retail sales growth slowed to 0.2%

- Matching expectations, Australian retail sales eked out a meagre 0.2% m/m gain in February (Jan: +1.8% y/y) after wild swings around year-end holidays. Spending in food related industries continued to grow steadily, but non-food industry results were mixed as consumers continue to pull back on discretionary spending in response to high cost of living pressures.

House View and Forecasts

FX	This Week	1Q-23	2Q-23	3Q-23	4Q-23
DXY	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
29-March	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%
30-March	AU Job Vacancies QoQ (Feb)	-4.90%
	EC Consumer Confidence (Mar F)	-33.3
	US Initial Jobless Claims	191k
	US GDP Annualized QoQ (4Q T)	2.70%
	US Continuing Claims	1694k

Source: Bloomberg

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