

30 March 2023

Global Markets Research

Daily Market Highlights

30 March: Risk-on amid peak rate bets and easing banking fear

Equities ended in the green; DXY edged higher to 102.64; JPY slid 1.5%

Powell pointed to Fed official's forecast for another 25bps rate hike this year

BNM: Decent growth of 4.0-5.0% for 2023; inflation to moderate to 2.8-3.8%

- Risks-on rally lifted bank and tech stocks overnight, sending Nasdaq Composite up 1.8% d/d and 20% above its December low. The S&P 500 powered back above 4k, up 1.4% d/d while Dow Jones Industrial Average added 1.0% d/d. The CBoe Volatility Index closed at its lowest level in three weeks. During the day, Fed Chair Jerome Powell pointed to Fed official's forecast for another 25bps rate hike this year when asked by lawmakers when the central bank will stop raising interest rates.
- In Europe, Stoxx 600 closed 1.3% d/d higher, with UBS up 3.7% d/d after the bank announced Sergio Ermotti's return as CEO. FTSE100 also gained 1.1% d/d. Asia-Pacific markets were mostly higher as Alibaba's Hong Kong-listed shares spiked at the open after the Chinese tech giant announced it will split into six business groups. The Hang Seng index gained 2.1% d/d while Nikkei 225 rose 1.3% d/d.
- US Treasuries were little changed, with the 2Y gaining 2bps to 4.10%. The yield on the 10Y traded less than 1bps lower at 3.56%. The 2Y European bond yields rose in tune of 2-8bps, while the 10Y gained between 1-4bps.
- The Dollar Index edged higher by 0.2% d/d to 102.64, gaining against most of its G10 peers and sharply against JPY. JPY weakened 1.5% d/d to 132.86. EUR closed flat, while GBP weakened 0.2% d/d. In Asia, CNH depreciated by 0.2% d/d. MYR and SGD closed the day 0.4% and 0.1% weaker at 4.4202 and 1.3292 respectively.
- Oil's rally stalled in its third day as weak fuel demand halted momentum buying. Brent closed 0.5% d/d lower while the West Texas Intermediate slid 0.3% d/d. As it is, demand for diesel, used in industrial and heating fuel, continued to languish at a 7-year seasonal low, a proxy of lacklustre activity. Gold, meanwhile, fell 0.3% d/d, as an upbeat equities market and strong USD weighed down on the bullion.

BNM projects decent growth of 4.0-5.0% for 2023; inflation to moderate to 2.8-3.8%

- As widely expected, and in line with the Ministry of Finance (MOF), Bank Negara Malaysia (BNM) projects growth in the Malaysian economy to normalize from 2022's +8.7% y/y to 4.0-5.0% in 2023 (point forecast: +4.4% y/y). This is largely in line with our house view for a 4.9% y/y expansion this year. Echoing most of MOF's updated projections in conjunction with the retabling of 2023 Budget on 24- February, BNM expects domestic demand to

Key Market Metrics

| | Level | d/d (%) |
|--------------------|-----------|---------|
| Equities | | |
| Dow Jones | 32,717.60 | 1.00 |
| S&P 500 | 4,027.81 | 1.42 |
| NASDAQ | 11,926.24 | 1.79 |
| Stoxx Eur 600 | 450.21 | 1.30 |
| FTSE 100 | 7,564.27 | 1.07 |
| Nikkei 225 | 27,883.78 | 1.33 |
| Hang Seng | 20,192.40 | 2.06 |
| Straits Times | 3,262.54 | 0.22 |
| KLCI 30 | 1,420.35 | 0.80 |
| FX | | |
| Dollar Index | 102.64 | 0.21 |
| EUR/USD | 1.0844 | -0.01 |
| GBP/USD | 1.2314 | -0.23 |
| USD/JPY | 132.86 | 1.51 |
| AUD/USD | 0.6684 | -0.37 |
| USD/CNH | 6.8940 | 0.24 |
| USD/MYR | 4.4202 | 0.44 |
| USD/SGD | 1.3292 | 0.14 |
| Commodities | | |
| WTI (\$/bbl) | 72.97 | -0.31 |
| Brent (\$/bbl) | 78.28 | -0.47 |
| Gold (\$/oz) | 1,966.90 | -0.33 |
| Copper (\$\$/MT) | 9,002.50 | 0.27 |
| Aluminum(\$/MT) | 2,380.00 | -0.38 |
| CPO (RM/tonne) | 4,015.00 | 2.33 |

Source: Bloomberg, HLBB Global Markets Research

remain firm, supported by improvement in the labour market conditions, continued implementation of multi-year investment projects and higher tourism activity, particularly with the reopening of the Chinese border. Risks to the overall growth outlook remain fairly balanced, with downside risks predominantly externally driven stemming from slower global growth, with added potential drag from higher cost of living and input costs, which are expected to affect households and business spending on the domestic front.

- Both headline and core inflation are projected to moderate but remain elevated between 2.8% and 3.8% in 2023 (2022: +3.3% y/y), exactly the same as MOF's projection but a tad higher than ours at +2.8% y/y. The moderation in headline inflation since 4Q is expected to continue lead by: 1) Global cost factors which have moderated on improvements in supply constraints and softening global demand; and 2) Lower average commodity prices such as oil and agricultural products. However, prices should stay elevated due to continued strength in domestic demand and improvement in the labor market. We also note that BNM also highlighted gradual subsidy rationalization efforts which will put upward pressure on prices.

US pending home sales grew for the third month, mortgage applications rose for the third week

- Pending home sales, a forward-looking indicator of home sales, unexpectedly rose for the third consecutive month by +0.8% m/m in February (Jan: +8.1% m/m), while mortgage applications increased for the third straight week by 2.9% w/w for the week ending March 24 (Mar 17: +3.0% w/w), a sign that the housing sector's contraction is coming to an end.
- Mortgage rates have improved in recent weeks after the federal government guaranteed the status of most mortgages amidst uncertainty in the financial market. No doubt, access to commercial mortgage loans could become increasingly difficult, but the National Association of Realtors expect residential mortgage loans to be more readily available.

UK mortgage lending slipped but mortgage approvals rose to the highest level in 3 months

- UK mortgage approvals rose more than expected to 43.5k in February (Jan: 39.6k), the highest level in 3 months. Despite this, the monthly increase in net mortgage lending eased to its lowest level since July 2021 at £700m (Jan: £2.0bn), suggesting that higher interest rates were a further drag on lending in February, particularly in the housing market. The data also showed consumers borrowed an additional £1.4bn in consumer credit in February (Jan: £1.7bn).

Australia's inflation rate eased to +6.8%

- Australia's inflation rate slowed more than expected to +6.8% y/y in February (Jan: +7.4% y/y), led by smaller increases for food (+8.0% y/y vs Jan: +8.2% y/y), transport (+5.6% y/y vs Jan: +6.1% y/y) and housing (+9.9% y/y vs Jan: +10.4% y/y). The ABS release also included a new series for electricity prices. Power prices were 17.2% higher y/y for the month.
- This is the second month where inflation has decelerated, adding to evidence that the worst of the price increases has passed. The data is also the final piece of puzzle before RBA policy makers meet on April 4 and given that the latest RBA's minutes showed that board members were concerned over household spending, this will give policy makers leeway to pause in coming months.

Vietnam 1Q GDP tapered off more than expected to 3.3% YOY

- Vietnam's 1Q GDP softened more than expected to +3.3% y/y (4Q22: +5.9% y/y) as exports took a hit from tighter monetary policies globally and consequently, dampened demand. As a result, the manufacturing sector reported a marginal contraction of 0.4% y/y during the quarter as compared to positive growth in 2022, while the mining sector also fell 5.6% y/y. On the other hand, the agriculture and construction sectors posted marginal growths of 2.4% y/y and 2.0% y/y respectively. The services sector held steady at +6.8% y/y as consumer spending and tourism remained strong.
- Moving forward, Vietnam's economy is expected to normalise this year, as the initial impact of the post-COVID reopening boom fizzled out and weighed down by the slowing demand for Vietnamese products from the United States and the EU. As it is, consensus is expecting GDP growth of +6.0% for 2023 (2022: +8.0% y/y), vs the government's growth target of +6.5% y/y for the year.

House View and Forecasts

| FX | This Week | 1Q-23 | 2Q-23 | 3Q-23 | 4Q-23 |
|---------|-----------|-------|-------|-------|-------|
| DXV | 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 |
|----------|--------------------------------------|--------|
| 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 |
| 31-March | JN Tokyo CPI YoY (Mar) | 3.40% |
| | JN Jobless Rate (Feb) | 2.40% |
| | JN Retail Sales MoM (Feb) | 1.90% |
| | JN Industrial Production MoM (Feb P) | -5.30% |
| | AU Private Sector Credit MoM (Feb) | 0.40% |
| | CH Manufacturing PMI (Mar) | 52.6 |
| | CH Non-manufacturing PMI (Mar) | 56.3 |
| | JN Housing Starts YoY (Feb) | 6.60% |
| | UK GDP QoQ (4Q F) | 0.00% |
| | HK Retail Sales Value YoY (Feb) | 7.00% |
| | EC Unemployment Rate (Feb) | 6.70% |
| | EC CPI Estimate YoY (Mar) | 8.50% |
| | US Personal Income (Feb) | 0.60% |
| | US Personal Spending (Feb) | 1.80% |
| | US PCE Core Deflator YoY (Feb) | 4.70% |
| | US MNI Chicago PMI (Mar) | 43.6 |
| | US U. of Mich. Sentiment (Mar F) | 63.4 |

Source: Bloomberg

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