

30 May 2023

Global Markets Research

Daily Market Highlights

30 May: A sense of calm amid US and UK market closures

DXY firm above the 104s; EUR weakened as Spain announced snap election

Japan's jobless rates eased; supporting wages and spending

Hong Kong and Vietnam exports fell; demand from China remained contractionary

- The US and UK markets were closed for the Memorial Day and Spring Bank holidays respectively on Monday. Elsewhere, the European markets were little changed after US President Joe Biden and congressional leaders reached a tentative deal on the debt ceiling over the weekend. Stoxx 600 closed 0.1% d/d lower, while Germany's DAX and France's CAC 40 shed early gains to close down 0.2% d/d each. Japan's Nikkei 225 climbed to trade at the highest levels since July 1990, up 1.0% d/d, while Hang Seng index continued sliding to new lows this year, falling 1.0% d/d. 10Y European bonds yield closed lower between 0 to -14bps.
- DXY was firm, closing flat at 104.21 after the tentative deal supported confidence in the Dollar. GBP strengthened 0.1% d/d against USD, while EUR weakened 0.1% d/d with Spain's surprised snap election announcement not helping. In Asia-Pacific, the risk-sensitive AUD strengthened 0.3% d/d, while JPY appreciated slightly by 0.1% d/d to 140.45. CNH, MYR and SGD closed weaker by less than 0.2% d/d each at 7.0854, 4.6045 and 1.3526.
- Oil eked out a small gain in subdued trading, with Brent climbing 0.2% d/d to close at \$77.07/barrel.

Japan's jobless rate eased to 2.6%

- In a sign of a sturdy labour market that should support higher wages as well as consumer spending, Japan's jobless rate improved more than expected to 2.6% in April (March: 2.8%), while the job-to-applicant ratio held steady at 1.32. As it is, the labour market continued to benefit from an influx of overseas tourists that supported hiring in the services sector, while hiring for autoworkers were boosted by still robust demand for cars as well as easing of supply-chain disruption earlier.

Hong Kong exports fell more than expected by 13.0% y/y; exports to major destinations including China shrank

- The contraction in Hong Kong's exports worsened more than expected to -13.0% y/y in April (March: -1.5% y/y). Looking ahead, weakness in the advanced economies will continue to weigh on Hong Kong's export performance, while the fragile recovery in China will provide little relief. This is reflected by a -12.9% y/y plunge in exports to China, while exports to US, EU and major Asian markets continued to shrink.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	33,093.34	1.00
S&P 500	4,205.45	1.30
NASDAQ	12,975.69	2.19
Stoxx Eur 600	460.87	-0.12
FTSE 100	7,627.20	0.74
Nikkei 225	31,233.54	1.03
Hang Seng	18,551.11	-1.04
Straits Times	3,195.22	-0.38
KLCI 30	1,404.93	0.14
FX		
Dollar Index	104.21	0.00
EUR/USD	1.0708	-0.14
GBP/USD	1.2355	0.09
USD/JPY	140.45	-0.11
AUD/USD	0.6539	0.34
USD/CNH	7.0854	0.16
USD/MYR	4.6045	0.09
USD/SGD	1.3536	0.10
Commodities		
WTI (\$/bbl)	72.67	1.17
Brent (\$/bbl)	77.07	0.16
Gold (\$/oz)	1,944.30	0.03
Copper (\$\$/MT)	8,135.00	2.17
Aluminum(\$/MT)	2,237.50	0.29
CPO (RM/tonne)	3,584.00	1.26

Source: Bloomberg, HLBB Global Markets Research
 *Closing as of 26th May for Dow Jones, S&P 500, NASDAQ, FTSE100, WTI, gold, copper and aluminium

Vietnam's economy weighed down by contractionary external demand

- Vietnam's exports declined for the fourth month, albeit less than expected by 5.9% y/y in May (Apr: -17.1% y/y), as weakening external demand from major economies and China weighed on its manufacturing-led economy. In tandem with this, the industrial production growth also softened to +0.1% y/y for the same month (Apr: +0.5% y/y), with manufacturing output turned contractionary at -0.5% y/y (Apr: +0.2% y/y).
- Import growth also contracted more than expected at -18.4% y/y (Apr: -20.5% y/y), suggesting possibility of further slowdown ahead in production while consumer sector remained resilient, as reflected in still robust retail sales at +11.5% y/y (Apr: +11.5% y/y). Moving forward, with the economy continuing to face trade pressure amidst a slowdown in its property, we expect the government's 6.5% GDP target for 2023 to remain challenging at this juncture.
- On a positive note, Vietnam's inflation rate decelerated more than expected to +2.4% y/y in May (Apr: +2.8% y/y), while core inflation eased slightly to 4.5% d/d (Apr: +4.6% y/y). While slowing inflation rate will give the State Bank of Vietnam more leeway to reduce its borrowing costs to support businesses, we are mindful that the price of food has picked up m/m due to higher electricity and water costs, the latter due to hot weather.

House View and Forecasts

FX	This Week	2Q-23	3Q-23	4Q-23	1Q-24
DXY	103-106	100.97	99.96	97.96	96.98
EUR/USD	1.06-1.08	1.10	1.11	1.12	1.13
GBP/USD	1.22-1.25	1.24	1.25	1.24	1.24
USD/JPY	138-140	131	130	128	128
AUD/USD	0.64-0.66	0.68	0.68	0.69	0.70
USD/MYR	4.54-4.65	4.39	4.35	4.31	4.28
USD/SGD	1.34-1.37	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	3.75	4.00	4.00	4.00	4.00
BOE	4.50	4.75	4.75	4.75	4.75
BOJ	-0.10	-0.10	-0.10	-0.10	-0.10
RBA	3.85	3.85	3.85	3.85	3.85
BNM	3.00	3.00	3.00	3.00	3.00

Source: HLBB Global Markets Research

Up Next

Date	Events	Prior
30-May	AU Building Approvals MoM (Apr)	-0.10%
	EC Consumer Confidence (May F)	-17.4
	EC Economic Confidence (May)	99.3
	US FHFA House Price Index MoM (Mar)	0.50%
	US S&P CoreLogic CS US HPI YoY NSA (Mar)	2.05%
	US Conf. Board Consumer Confidence (May)	101.3
	US Dallas Fed Manf. Activity (May)	-23.4
	UK Lloyds Business Barometer (May)	33
31-May	JN Retail Sales MoM (Apr)	0.60%
	JN Industrial Production MoM (Apr P)	1.10%
	AU Private Sector Credit MoM (Apr)	0.30%
	CH Manufacturing PMI (May)	49.2
	CH Non-manufacturing PMI (May)	56.4
	AU CPI YoY (Apr)	6.30%

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JN Consumer Confidence Index (May)	35.4
JN Housing Starts YoY (Apr)	-3.20%
UK Mortgage Approvals (Apr)	52.0k
US MBA Mortgage Applications	-4.60%
US MNI Chicago PMI (May)	48.6
US JOLTS Job Openings (Apr)	9590k
AU CoreLogic House Px MoM (May)	0.70%
US Dallas Fed Services Activity (May)	-14.4

Source: Bloomberg

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