

31 May 2023

Global Markets Research

Daily Market Highlights

31 May: Mixed trading pending debt ceiling resolution

**Wall Street closed mixed; UST yields retreated; DXY closed above 104 for the fourth day
JPY broke below 140; government to take appropriate responses to weakening yen
US consumer confidence better than expected; sign of stabilising home prices**

- Wall Street closed mixed, with investors waiting to see if the tentative agreement to raise the debt ceiling can be implemented by June 5. While the Dow Jones Industrial Average fell 0.2% d/d, the S&P 500 closed flat. Nasdaq Composite added 0.3% d/d, boosted by a 3.0% d/d rally in the \$1 trillion market cap Nvidia. Rival chipmakers Intel and Qualcomm also benefited from the rally in tech stocks. In Fed speak, Bank of Richmond Fed President Barkin said that he is looking for signs that demand is cooling to be convinced that US inflation will ease.
- European stock markets also closed lower as traders followed the latest US debt ceiling developments, while Asian markets closed mixed. Stoxx 600 ended 0.9% d/d lower, while FTSE 100 slipped 1.4% d/d. The Nikkei 225 closed 0.3% d/d higher while Hang Seng snapped its 4-day losing streak with a marginal gain of +0.2% d/d.
- UST yields reversed course after climbing into the weekend, with the 2Y and 10Y sliding 11bps each to 4.45% and 3.69%. The 10Y European bonds yield also closed lower in tune of 7 to 19bps.
- DXY finished above the 104-handle for the fourth day, albeit off its intraday high of 104.53, supported by Fed rate hike expectations. At the end, DXY closed the day just below the flatline at 104.17. EUR and GBP strengthened 0.3% and 0.5% d/d respectively, while JPY appreciated by 0.5% d/d to 139.79 after an unscheduled meeting between Japanese officials. In a statement from currency official Masato Kanda, he said that the government “will take appropriate responses if necessary” in reference to yen weakening. CNH was slightly weaker by 0.1% d/d, while MYR closed flattish at 4.6025. SGD strengthened 0.2% d/d to 1.3505.
- Oil prices plunged by more than 4.0% d/d as physical market crude signalled ample supply. OPEC+, meanwhile, is scheduled to hold a production policy meeting on June 4. Gold bounced back from early losses and closed 0.7% d/d higher as the USD retreated.

US consumer confidence fell, while home prices continued to post moderate gains

- The Conference Board Consumer Confidence Index came in slightly better than expected at 102.3 in May (Apr: 103.7 upwardly revised). More importantly, the Expectations Index, decreased slightly to 71.5 but has remained below 80 since February 2022, the level associated with a recession

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	33,042.78	-0.15
S&P 500	4,205.52	0.00
NASDAQ	13,017.43	0.32
Stoxx Eur 600	456.63	-0.92
FTSE 100	7,522.07	-1.38
Nikkei 225	31,328.16	0.30
Hang Seng	18,595.78	0.24
Straits Times	3,187.56	-0.24
KLCI 30	1,396.91	-0.57
FX		
Dollar Index	104.17	-0.04
EUR/USD	1.0735	0.25
GBP/USD	1.2414	0.48
USD/JPY	139.79	-0.47
AUD/USD	0.6517	-0.34
USD/CNH	7.0911	0.08
USD/MYR	4.6025	-0.04
USD/SGD	1.3505	-0.23
Commodities		
WTI (\$/bbl)	69.46	-4.42
Brent (\$/bbl)	73.54	-4.58
Gold (\$/oz)	1,958.00	0.70
Copper (\$\$/MT)	8,123.00	-0.15
Aluminum(\$/MT)	2,224.00	-0.60
CPO (RM/tonne)	3,569.00	-0.42

Source: Bloomberg, HLBB Global Markets Research

within the next year. Of note, consumers' inflation expectations over the next 12 months remained elevated, but eased to 6.1% (Apr: 6.2%). This is down substantially from the peak of 7.9% reached last year.

- The S&P Core Logic house prices recorded its smallest gain since 2012, edging up by 0.7% y/y (March: +2.1% y/y). On a m/m basis however, prices accelerated to +1.3% m/m (Apr: +0.3% m/m) and is now only 3.6% below its June 2022 peak. Separately, the FHFA House Price Index also posted modest gains of +0.6% m/m (Apr: + 0.7% upwardly revised). While the recent price increases do not make a definitive recovery, the data showed that the contraction in home prices may have come to an end.
- The Dallas Fed Manufacturing Activity index unexpectedly worsened to -29.1 in May (Apr: -23.4), its lowest reading in three years. The company outlook index also pushed down 7 points to -22.3, also a three-year low, while the outlook uncertainty index retreated to 13.4, a reading below average. Nonetheless, expectations regarding future manufacturing activity were mixed.

Eurozone's economic sentiment fell

- The Eurozone's Economic Sentiment Indicator fell more than expected to 96.5 in May (Apr: 99.0), due to lower confidence in industry, services and, particularly, retail trade segments. Construction confidence remained broadly unchanged, while consumer confidence continued recovering, albeit at a reduced pace. Of note, the consumer price expectations gauge fell to the lowest since 2020.

Australia's building approvals tumbled to its 11-year low

- Australia's building approvals unexpectedly tumbled 8.1% m/m to the lowest level in 11 years in April (March: -1.0% m/m). The decline was driven by fewer permits for apartment buildings, suggesting weak residential property investment will continue to drag on the economy.

Japan's retail sales and IPI disappointed

- A string of disappointing economic data was released in Japan. Retail sales softened more than expected to 5.0% y/y in April (March: +6.9% y/y) and contracted 0.2% m/m (March: +0.6% m/m). Of note, sales were partially dragged lower by auto sales, in tandem with the lower output reported during the month. Contractions were also reported for livestock, aquatic products as well as housing-related products like furniture and building materials.
- Industrial production, meanwhile, unexpectedly contracted 0.3% y/y and 0.4% m/m for the same month (March: -0.6% y/y and 1/1% m/m). The latter was probably driven by slower external demand amidst easing supply chain constraints and led by slower output of machinery, iron, steel and non-ferrous metals as well as transport equipment. On a positive note, output is expected to turnaround to register positive growth of 1.9% and 1.2% m/m respectively for the month of May and June.

House View and Forecasts

FX	This Week	2Q-23	3Q-23	4Q-23	1Q-24
DX	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
31-May	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%
	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
1-June	US Federal Reserve Releases Beige Book	
	AU Judo Bank Australia PMI Mfg (May F)	48.0
	JN Capital Spending YoY (1Q)	7.70%
	JN Jibun Bank Japan PMI Mfg (May F)	50.8
	MA S&P Global Malaysia PMI Mfg (May)	48.8
	VN S&P Global Vietnam PMI Mfg (May)	46.7
	AU Private Capital Expenditure (1Q)	2.20%
	CH Caixin China PMI Mfg (May)	49.5
	EC HCOB Eurozone Manufacturing PMI (May F)	44.6
	HK Retail Sales Value YoY (Apr)	40.90%
	UK S&P Global/CIPS UK Manufacturing PMI (May F)	46.9
	EC CPI MoM (May P)	0.60%
	EC Unemployment Rate (Apr)	6.50%
	EC CPI Estimate YoY (May)	7.00%
	US Challenger Job Cuts YoY (May)	175.90%
	US ADP Employment Change (May)	296k
	US Nonfarm Productivity (1Q F)	-2.70%
	US Initial Jobless Claims	229k
	US Unit Labor Costs (1Q F)	6.30%
	US Continuing Claims	1794k
	US S&P Global US Manufacturing PMI (May F)	48.3
	US Construction Spending MoM (Apr)	0.30%
	US ISM Manufacturing (May)	47.1

Source: Bloomberg

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