

Investment Daily Express

24 May 2022

HSIS Investment Advisory Team

Chart of the Day

AUD may test 100-day MA



Source: Bloomberg, last updated on 5/24/2022

- Australia's unemployment rate fell to a 50-year low of 3.9%, while wages rose 2.4 % in 1Q22, the highest since 2018. Strong economic numbers are boosting market expectations for a 40bps rate hike by the RBA in June to 0.75%
- The Australia's general election has settled, and the Labor Party has been in power again after a lapse of nine years, and political uncertainties have been eliminated. In addition, with the introduction of more economic stabilization programs in China. In addition, the US President Biden expressed his intention to further reduce tariffs on China during his visit to Japan, which stabilized the RMB and is expected to maintain China's ability to absorb bulk commodities, which is beneficial to Australia's trade exports, economy and the performance of the Australian dollar
- Technically, the recovery of AUD/USD has broken through the 20-day line, showing signs of bottoming out in the short term, and seeing the RSI strengthening, it may be expected to test the top of the Bollinger Band and the 100-day line resistance of about 72.50 cents in the short term

Today's Comment

➤ **Multiple factors drive the dollar to adjust**

Under the simultaneous influence of several factors, the US dollar has undergone major adjustments in the past week. First, major US retailers issued profit warnings, expressing concern about the negative impact of high inflation on their industries. In addition, Bullard, the hawkish president of the Federal Reserve Bank of St. Louis, proposed that the Fed should raise interest rates as soon as possible to suppress inflation, so that an accommodative monetary policy can be implemented in 2023 or 2024. The above events will inevitably lead to concerns about the outlook of the US economy and raise questions about how much room the Fed has to raise interest rates. US President Joe Biden also said that he is considering cutting tariffs on Chinese imports as a means of suppressing inflation. This cannot stop the market think that if US inflation falls, the Fed will not have to speed up the pace of interest rate hikes, which can also be regarded as a negative dollar factor. On the other hand, European Central Bank President Christine Lagarde has repeatedly expressed the bank's intention to raise interest rates. The economic stabilization plan launched by the Chinese government has also brought support to the RMB and regional currencies such as the Australian dollar and the New Zealand dollar, and put pressure on the US dollar

➤ **Premier Li Keqiang announces a series of measures to stabilize the economy**

Premier Li Keqiang announced 33 measures at the regular meeting of the National People's Congress, including increasing tax rebates by more than RMB140bn in more industries, and reducing taxes and rebates by RMB2.64tn for the year. For small and medium-sized enterprises and individual industrial and commercial households, deferred payment of RMB320bn of social insurance premiums for pensions and reduced the purchase tax of some passenger vehicles by RMB60bn in stages. The above measures show that China is strengthening its fiscal policy to stimulate the economy and consumption. It is expected that the effect will gradually emerge and help support economic growth

Today's Comment

- **Chinese media says the continued increase in infrastructure investment, and new policies are expected to be launched intensively**

According to the National Development and Reform Commission, in the first four months of this year, a total of 38 fixed asset investment projects were approved, with a total investment of RMB533.3bn. Market participants expect the policy of stabilizing growth will continue to be strengthened, and new policies to promote infrastructure investment and financing tools are expected to be launched. In addition, as of May 15, RMB1.5tn of new local special bonds have been issued since the beginning of the year, an increase of RMB1.3tn over the same period last year. The market expects that the new issuance of special bonds in May will reach RMB500-600bn. It is believed that the growth of fixed asset investment is expected to accelerate under the circumstance of sufficient financial resources, benefiting the cement, steel and construction sectors

- **A number of important figures have spoken that the economy can avoid recession**

International Monetary Fund (IMF) General Manager Georgieva said when attending the World Economic Forum that economic growth forecasts may be further lowered, and the risk of economic recession in individual countries has increased, but a global recession is not expected. In addition, US President Biden said in Tokyo that the US economy can avoid recession. On the same day, the chief executive of the largest US bank also expressed an optimistic view on the economic outlook

Investment Market Focus

FX & Commodities

- The results of the Federal Reserve survey reflect the growing concern among Americans about the performance of the economy, with only 24% believing that this year will be good or even excellent, which is worse than that during the raging epidemic in 2020. The market waits and sees that the United States will announce the May PMI today, and the dollar trend continues to be weak

Europe & US stocks

- US stocks rebounded sharply on Monday as the chief executive of the largest US bank was optimistic about the economic outlook, boosting large bank stocks. However, the market still expects inflation to remain high and tightening monetary policy will lead to a recession. Therefore, to help fight inflation options such as global infrastructure sectors and companies with high dividend-paying power can be added

Asian stocks

- Asian stock markets were mixed yesterday, although the Asia-Pacific index was still up on the back of medical and industrial stocks. In addition, both the US dollar and US bonds fell. Among them, the US dollar hit its low in nearly a month, and fell to a level near 102, which stimulated most currencies in Asia to rise. It is believed that in the short term, it may bring a chance to a rebound in currencies and stocks in Asia

A-share & HK stocks

- HK stocks pared some of last Friday's gains on Monday, and the HSI temporarily stabilized above 20,000 points, reflecting the risk of stagflation in the European and American economies, and investment sentiment is still inclined to wait and see. However, the subsidence of China's epidemic and the frequent introduction of stimulus measures are expected to support the market outlook

Bonds

- The stock market has recovered, the market risk aversion has cooled, funds have flowed out of US bonds, and the US 10-year bond yield has rebounded, the latest increase of 7bps to 2.85%, the market is concerned about the Fed's statement on interest rates and inflation data to be released later

Major Market Performance

	5/23/2022 Close	1-D	Change (%)			Yield*
			1-MTH*	3-MTH*	YTD*	
Major Bond Indices						
Bloomberg US Aggregate Bond Index	2,130	-0.4%	-0.1%	-6.0%	-9.5%	3.5%
Bloomberg US Corporate High Yield Bond Index	2,195	0.2%	-3.7%	-6.9%	-10.8%	7.8%
Bloomberg Euro-Aggregate Index	243	-0.4%	-1.1%	-5.8%	-9.3%	1.6%
Bloomberg Pan-European High Yield Index	400	0.0%	-3.3%	-5.0%	-8.5%	7.6%
Bloomberg Emerging Markets Hard Currency Aggregate Index	1,084	0.1%	-2.3%	-10.4%	-14.4%	6.5%
Major Equity Indices						
S&P 500 Index	3,974	1.9%	-7.0%	-7.7%	-16.6%	
NASDAQ Composite Index	11,535	1.6%	-10.2%	-13.8%	-26.3%	
Russell 2000 Index	1,793	1.1%	-7.6%	-9.5%	-20.2%	
STOXX Europe 600 Index	437	1.3%	-3.7%	-4.1%	-10.5%	
Tokyo Stock Exchange Tokyo Price Index	1,895	0.9%	-0.6%	0.7%	-4.9%	
MSCI Emerging Markets Index	1,035	-0.1%	-3.8%	-14.3%	-16.0%	
MSCI AC Asia Ex. Japan Index	660	-0.5%	-3.2%	-13.6%	-16.4%	
MSCI AC ASEAN	656	-0.5%	-4.9%	-9.7%	-6.7%	
Hang Seng Index	20,470	-1.2%	-0.8%	-13.0%	-12.5%	
Hang Seng China Enterprises Index	7,022	-1.4%	0.7%	-15.1%	-14.7%	
Hang Seng TECH Index	4,178	-2.5%	4.4%	-20.1%	-26.3%	
Shanghai Shenzhen CSI 300 Index	4,054	-0.6%	1.0%	-11.4%	-17.9%	
Major Currencies						
US Dollar Index	102.08	-1.0%	0.8%	6.3%	6.7%	
EUR/USD	1.0691	1.2%	-0.9%	-5.6%	-6.0%	
GBP/USD	1.2588	0.9%	-2.0%	-7.3%	-7.0%	
USD/JPY	127.90	0.0%	-0.5%	11.1%	11.1%	
AUD/USD	0.7109	1.0%	-1.9%	-1.5%	-2.1%	
NZD/USD	0.6470	1.2%	-2.5%	-3.9%	-5.2%	
USD/CAD	1.2767	-0.6%	0.4%	0.0%	1.0%	
USD/CNH	6.6617	-0.6%	2.1%	5.3%	4.8%	
Bloomberg JP Morgan Latin America Currency Index	43	0.4%	0.4%	0.6%	5.4%	
Bloomberg JPMorgan Asia Dollar Index	104	0.5%	-1.4%	-4.1%	-3.9%	
Major Commodities & Cryptocurrencies						
Gold (USD/OZ)	1,854	0.4%	-4.0%	-2.4%	1.3%	
WTI Crude Oil Futures(USD/BBL)	110	-2.6%	8.1%	19.4%	46.6%	
Iron Ore Futures(USD/MT)	134	-0.1%	-11.4%	-1.0%	14.2%	
Copper Futures(USD/LB)	435	1.6%	-5.1%	-3.6%	-2.6%	
Bitcoin (USD)	29,315	0.7%	-26.0%	-22.6%	-36.7%	

Source: Bloomberg *Data as of last trading day

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