

Fundamentals:

Stocks fell again Friday, with investors forced to wrestle anew with the prospect of higher-for-longer interest rates and the potential for recession.

The S&P 500 dropped 43.39 points, or 1.1%, to 3852.36 a day after falling 2.5%. Each of the index's 11 sectors finished in the red.

The Dow Jones Industrial Average fell 281.76 points, or 0.8%, to 32920.46. The technology-focused Nasdaq Composite slid 105.11 points, or 1%, to 10705.41. All three major indexes fell at least 1.5% this week, with technology stocks and other growth-sensitive segments suffering the most.

Investors who had been growing optimistic because of moderating inflation now find themselves worried about a slowdown in economic growth. Fresh services and manufacturing data on Friday added to those concerns.

Private-sector bottom lines are suffering from weak consumer demand. Though inflation is cooling, higher input and borrowing costs are weighing on both businesses and households, said S&P Global Market Intelligence. Excluding the Covid-19 downturn, this is the quickest softening in business activity since 2009, the data provider said.

The market rallied early in the week when slowing inflation data stirred hopes that the Federal Reserve could back away from aggressive interest-rate increases. The Fed's revised rate forecasts on Wednesday and slowing retail sales data on Thursday raised fears of a recession and reversed those gains.

The central bank said Wednesday it planned to lift rates through the spring and to a higher level than previously forecast. Fed forecasts also suggested the central bank would hold rates at their peak until 2024, rattling some investors who had expected officials to begin cutting rates next year.

The European Central Bank said this week it would continue to raise rates in half-percentage-point increments next year. The Bank of England was the only major central bank this week to signal caution about raising rates much higher, saying it believed the U.K. economy was already in a recession.

Some investors are less concerned about the equity selloff, seeing a buying opportunity.

Earnings will also receive a boost from the weakening dollar, she said, which has plunged in recent months. The greenback's record rise put pressure on profits earned abroad for the first three quarters of the year.

Elsewhere, shares of Maxar Technologies more than doubled. The Wall Street Journal reported that Advent International, a private-equity firm, agreed to buy Maxar in a deal that values the satellite firm at about \$4 billion.

Global markets broadly retreated. Real estate and telecom stocks weighed on the Stoxx Europe 600, which fell 1.2%. Data published by S&P Global showed the eurozone economy is contracting again in December, but proving more resilient than economists had expected.

In Asia, Japan's Nikkei 225 lost 1.9% and China's Shanghai Composite Index ended the day roughly flat. Hong Kong's Hang Seng was the outlier, rising 0.4%.

In a sign of concern about the world economy, Brent-crude prices fell 2.7% to \$79.04 a barrel. The drop unwound some gains the oil benchmark had made this week on the back of easing Covid-19 restrictions in China, which traders expect to boost demand for raw materials.

Treasury prices fell, pushing yields on 10-year notes up to 3.481% from 3.449% Thursday.

Ten- and 30-year Treasury yields bounced off their one-week lows Friday, as investors weighed this week's interest-rate increases by central banks on both sides of the Atlantic and policy makers' efforts to keep hiking despite the economic cost. The two-year yield dropped to its lowest level in two months on Friday and, along with the 10- and 30-year yields, finished lower for the week.

Long-term Treasury yields bounced back on Friday as their European counterparts sharply advanced on central banks' promise to keep pushing borrowing costs up to crush inflation. Ten-year German bond yields have jumped 21 basis points in just the last two sessions, while their Italian peers are up 45 basis points, after ECB President Christine Lagarde raised rates by a half-percentage-point on Thursday and laid out plans for more rate increases in 2023.

Friday's advance in 10- and 30-year Treasury yields helped to counteract their declines on Thursday, when they had fallen to one-week lows on fears of the U.S. economy slipping into a recession. Thursday's declines came after weaker-than-expected retail sales data for November.

On Friday, a pair of Federal Reserve officials, New York Fed President John Williams and San Francisco Fed President Mary Daly, issued a stern message on the need to slow inflation through higher rates. Their comments came two days after the Fed signaled borrowing costs could go above 5% in 2023.

In Friday's U.S. economic data, S&P Global's U.S. services purchasing manufacturers indexes for December fell to 44.4 from 46.2 previously, while the manufacturing reading dropped to a 31-month low of 46.2.

(Source: Dow Jones Newswires)

Economic Releases	Period	Survey	Actual	Prior	Revised
12/16/2022 05:00	Net Long-term TIC Flows	Oct	--	\$67.8b	\$118.0b
12/16/2022 05:00	Total Net TIC Flows	Oct	--	\$179.9b	\$30.9b
12/16/2022 22:45	S&P Global US Manufacturing PMI	Dec P	47.8	46.2	47.7
12/16/2022 22:45	S&P Global US Services PMI	Dec P	46.5	44.4	46.2
12/16/2022 22:45	S&P Global US Composite PMI	Dec P	46.9	44.6	46.4
12/19/2022 23:00	NAHB Housing Market Index	Dec	34	--	33
12/20/2022 21:30	Housing Starts	Nov	1400k	--	1425k
12/20/2022 21:30	Building Permits	Nov	1480k	--	1526k
12/20/2022 21:30	Housing Starts MoM	Nov	-1.80%	--	-4.20%
12/20/2022 21:30	Building Permits MoM	Nov	-2.10%	--	-2.40%
12/20/2022 22:00	Bloomberg Dec. United States Economic Survey				
12/21/2022 20:00	MBA Mortgage Applications	Dec-16	--	--	3.20%
12/21/2022 21:30	Current Account Balance	3Q	-\$224.0b	--	-\$251.1b
12/21/2022 23:00	Existing Home Sales	Nov	4.20m	--	4.43m
12/21/2022 23:00	Existing Home Sales MoM	Nov	-5.20%	--	-5.90%
12/21/2022 23:00	Conf. Board Consumer Confidence	Dec	101	--	100.2
12/21/2022 23:00	Conf. Board Present Situation	Dec	--	--	137.4
12/21/2022 23:00	Conf. Board Expectations	Dec	--	--	75.4
12/22/2022 21:30	Chicago Fed Nat Activity Index	Nov	--	--	-0.05
12/22/2022 21:30	GDP Annualized QoQ	3Q T	2.90%	--	2.90%
12/22/2022 21:30	Personal Consumption	3Q T	1.70%	--	1.70%
12/22/2022 21:30	GDP Price Index	3Q T	4.30%	--	4.30%
12/22/2022 21:30	Core PCE QoQ	3Q T	4.60%	--	4.60%
12/22/2022 21:30	Initial Jobless Claims	Dec-17	224k	--	211k
12/22/2022 21:30	Continuing Claims	Dec-10	1685k	--	1671k
12/22/2022 23:00	Leading Index	Nov	-0.50%	--	-0.80%

INDEX FUTURES DAILY PREVIEW  
December 19, 2022

Contract	Close	Change	High	Low
E-Mini Dow MAR 23	33,128.00	-373.00	33,495.00	32,869.00
E-Mini S&P MAR 23	3,879.00	-56.250	3,934.50	3,855.25
E-Mini NASDAQ MAR 23	11,344.75	-138.50	11,491.50	11,275.50
Micro Russell 2K JUN 22	1768.6	-19.7	1792.3	1756.2
USD Nikkei MAR 23	27,300.0	-355.0	27,650.00	27,150.00
Euro Dollar DEC 22	95.26	-0.005	95.26	95.25
US Dollar Index	104.80	0.243	104.82	104.21
DJIA	32,920.46	-281.760	33,166.46	32,654.59
S&P 500	3,852.36	-43.390	3,890.91	3,827.91
NASDAQ	10,705.41	-105.120	10,833.24	10,642.10
Nikkei 225	27,527.12	-524.580	27,713.04	27,488.83
Hang Seng	19,450.67	82.080	19,621.13	19,130.53
Straits Times	3,240.81	-32.940	3,272.12	3,237.79
DAX	13,893.07	-93.160	14,011.26	13,815.24
CAC	6,452.63	-70.140	6,515.70	6,418.95
FTSE100	7,332.12	-94.050	7,429.29	7,305.72

Historical Volatility	10 Days	30 Days	60 Days	90 Days
E-Mini Dow Futures	18.42	19.77	21.70	21.53
E-Mini S&P Futures	20.70	25.36	26.22	25.34
E-Mini Nasdaq Futures	11.31	12.45	14.92	15.24

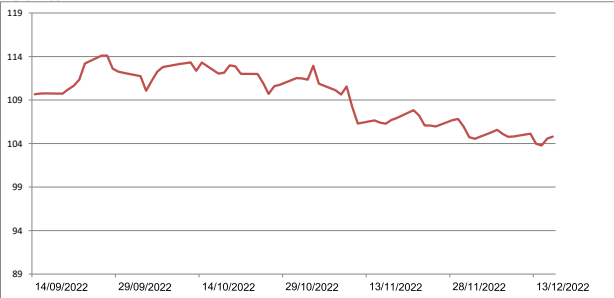
U.S. Government Treasuries Yield



CBOE Volatility Index (VIX)



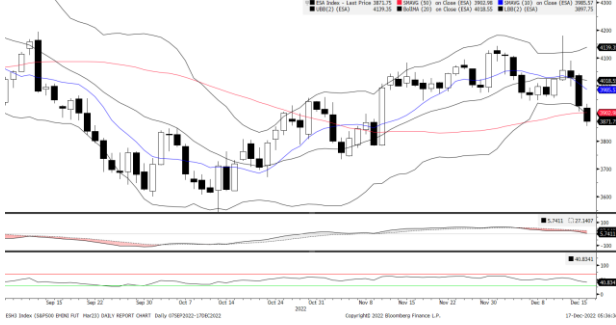
Dollar Index



E-Mini Dow Index Futures Daily Chart



E-Mini S&P 500 Index Futures Daily Chart



E-Mini NASDAQ 100 Index Futures Daily Chart



Micro E-Mini Russell 2000 Index Futures Daily Chart



Technical Analysis

<b>Dow</b>			<b>S&amp;P</b>			<b>Nasdaq</b>			<b>Micro Russell</b>		
1st Resistance:	33625	2nd Resistance:	34122	1st Resistance:	3937.19	2nd Resistance:	3995.37	1st Resistance:	11514.92	2nd Resistance:	11685.09
1st Support:	32631	2nd Resistance:	32134	1st Support:	3620.82	2nd Resistance:	3762.63	1st Support:	11174.58	2nd Resistance:	11004.41
MACD:	154.217			MACD:	5.679410			MACD:	-13.734		
MACD DIFF:	-203.019			MACD DIFF:	-21.446538			MACD DIFF:	-62.367		
RSI:	41.769			RSI:	40.787080			RSI:	40.890		

Strategy

	Long:	Profit target:	Stop-loss:		Long:	Profit target:	Stop-loss:		Short:	Profit target:	Stop-loss:		Short:	Profit target:	Stop-loss:
Dow	32631	32957	32468		32134	32456	31973		33625	33289	33793		34122	33781	34292
S&P	3620.82	3659.02	3601.71		3762.63	3800.26	3743.82		3937.19	3897.81	3956.87		3995.37	3955.42	4015.35
Nasdaq	11174.58	11286.32	11118.71		11004.41	11114.45	10949.39		11514.92	11399.77	11572.50		11685.09	11568.24	11743.52
Micro Russell	1742.07	1759.49	1733.36		1715.54	1732.70	1706.96		1795.129	1777.18	1804.10		1821.658	1803.44	1830.77

Source: Bloomberg

Kenanga Futures Sdn Bhd (353603-X)

Dealing Desk: (603) 2172 3820 Fax: (603) 2172 2729 Email: futures@kenanga.com.my

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