

Fundamentals:

The Dow Jones Industrial Average rallied about 700 points on Friday after fresh data showed a slowdown in wage growth, an upbeat sign for the Federal Reserve's battle against inflation that could ease pressure for further interest-rate increases.

The Dow rose 700.53 points, or 2.1%, to 33630.61. The broad-based S&P 500 climbed 86.98, or 2.3%, to 3895.08. The technology-heavy Nasdaq Composite advanced 264.05, or 2.6%, to 10569.29.

The day's rally put all three major U.S. stock indexes in positive territory for the first week of 2023. All three rose about 1% or more for the week.

The Labor Department's monthly jobs report showed that employers added 223,000 jobs in December, the smallest gain in two years but more than the 200,000 expected by economists. The ability of U.S. companies to keep hiring shows that the job market has held up even as the Fed's rate increases have sparked worries about a potential recession.

The report also showed wage growth continuing to cool. Average hourly earnings rose 0.3% in December from the previous month, down from a 0.4% increase in November. They were up 4.6% from the previous year, down from a revised 4.8% gain in November and well below a March peak.

The data reduced fears of a so-called wage-price spiral, in which employees demand pay hikes in response to climbing prices, and the influx of money into their pockets fuels further inflation. Such a scenario could have pressured the Fed to hike rates aggressively. The U.S. central bank is set to make its next policy decision at its Jan. 31-Feb. 1 meeting.

Some investors said Friday's jobs report suggested that the U.S. economy was on track for a soft landing, in which the Fed raises rates enough to bring down inflation but without triggering a painful downturn.

Some signs still point to economic weakening. The Institute for Supply Management's closely watched barometer of business conditions at service-oriented companies, released Friday, fell to 49.6% in December from 56.5% in November -- the first time it had showed a contraction since early in the pandemic. Any reading under 50% indicates a contraction of activity.

In recent weeks, money managers had grown hopeful that inflation would slow quickly in the months ahead, possibly prompting the Fed to begin cutting rates later this year. But this week has reminded investors the path forward could be more complicated.

Minutes from the Fed's last policy meeting, released Wednesday, showed that officials expect to keep raising interest rates in case price pressures prove more persistent. Meanwhile, Friday's hiring data added to evidence that the U.S. labor market remains strong -- a situation that benefits workers but could add to inflationary pressures.

Friday's rally was broad-based, with all 11 sectors of the S&P 500 posting gains. Costco Wholesale was among the best-performing stocks in the index. Its shares advanced \$32.68, or 7.3%, to \$482.87 after the bulk retailer reported strong holiday sales.

World Wrestling Entertainment surged \$12.23 per share, or 17%, to \$84.27 after its former chief executive, Vince McMahon, said he plans to return to the company and pursue a sale of the business. Bed Bath & Beyond continued its plunge, tumbling 38 cents, or 22%, to \$1.31 per share a day after the retailer warned that it might file for bankruptcy protection.

U.S. Treasury yields tumbled on Friday after data showed signs of an economy slowing down as wages rose less than expected last month even though new jobs increased more than anticipated, while the U.S. services sector shrank for the first time in more than 2-1/2 years.

U.S. factory orders declined in November as well after posting gains in the previous month, suggesting, analysts said, that along with other pieces of economic data, past rate increases by the Federal Reserve may be finally taking their toll on the economy.

Friday's reports also reinforced expectations that the Fed could be nearing a pause in its rate-hiking cycle.

U.S. yields across the curve mostly dropped to two-week lows in the aftermath of the services sector and factory orders data.

A widely tracked part of the U.S. yield curve, measuring the gap between yields on two- and 10-year Treasury notes, lessened its inversion to -70 basis points (bps). The inversion, which typically foreshadows recession, went as deep as -79.20 bps right after the jobs report, the most inverted in three weeks.

The narrowing of the curve inversion on Friday indicated that investors are pricing in fewer rate hikes by the Fed.

In afternoon trading, U.S. 10-year yields slid to two-week troughs of 3.551%. The yield was last down 16.6 bps at 3.556%.

U.S. 30-year yields also declined to a two-week low of 3.671%, last down 11.6 bps at 3.682%.

On the shorter-end of the curve, U.S. two-year yields also stumbled to the lowest in two weeks of 4.245%. They last traded down 19.9 bps at 4.253%.

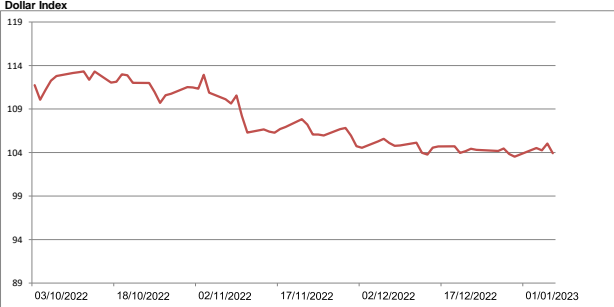
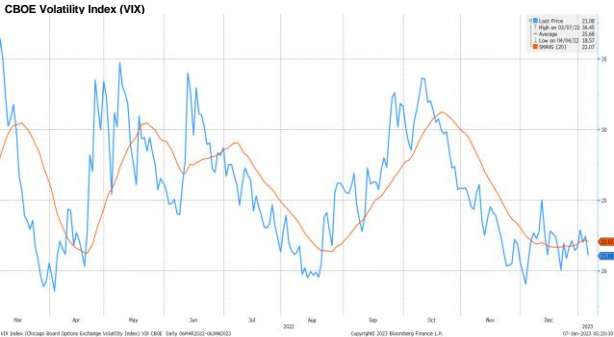
The rate futures market has priced in 25-bps hikes at the next two policy meetings. The peak fed funds rate is seen at around 4.95%, expected to be reached at the June policy gathering.

Economic Releases	Period	Survey	Actual	Prior	Revised
01/06/2023 21:30	Revisions: Household Survey Data				
01/06/2023 21:30	Two-Month Payroll Net Revision	Dec	--	-28k	--
01/06/2023 21:30	Change in Nonfarm Payrolls	Dec	203k	223k	263k
01/06/2023 21:30	Change in Private Payrolls	Dec	183k	220k	221k
01/06/2023 21:30	Change in Manufact. Payrolls	Dec	8k	8k	14k
01/06/2023 21:30	Unemployment Rate	Dec	3.70%	3.50%	3.70%
01/06/2023 21:30	Average Hourly Earnings MoM	Dec	0.40%	0.30%	0.60%
01/06/2023 21:30	Average Hourly Earnings YoY	Dec	5.00%	4.60%	5.10%
01/06/2023 21:30	Average Weekly Hours All Employees	Dec	34.4	34.3	34.4
01/06/2023 21:30	Labor Force Participation Rate	Dec	62.20%	62.30%	62.10%
01/06/2023 21:30	Underemployment Rate	Dec	--	6.50%	6.70%
01/06/2023 23:00	ISM Services Index	Dec	55	49.6	56.5
01/06/2023 23:00	ISM Services Employment	Dec	--	49.8	51.5
01/06/2023 23:00	ISM Services Prices Paid	Dec	--	67.6	70
01/06/2023 23:00	ISM Services New Orders	Dec	--	45.2	56
01/06/2023 23:00	Factory Orders	Nov	-1.00%	-1.80%	1.00%
01/06/2023 23:00	Factory Orders Ex Trans	Nov	--	-0.80%	0.80%
01/06/2023 23:00	Durable Goods Orders	Nov F	-2.10%	-2.10%	-2.10%
01/06/2023 23:00	Durables Ex Transportation	Nov F	--	0.10%	0.20%
01/06/2023 23:00	Cap Goods Orders Nondef Ex Air	Nov F	--	0.10%	0.20%
01/06/2023 23:00	Cap Goods Ship Nondef Ex Air	Nov F	--	-0.10%	-0.10%

INDEX FUTURES DAILY PREVIEW  
January 9, 2023

Contract	Close	Change	High	Low
E-Mini Dow MAR 23	33,772.00	692.00	33,863.00	33,032.00
E-Mini S&P MAR 23	3,915.50	84.500	3,928.75	3,819.00
E-Mini NASDAQ MAR 23	11,113.50	287.25	11,165.75	10,751.00
Micro Russell 2K JUN 22	1800.9	38.5	1807.9	1759.2
USD Nikkei MAR 23	26,195.0	460.0	26,220.00	25,715.00
Euro Dollar MAR 23	94.92	0.040	94.93	94.84
US Dollar Index	103.92	-1.120	105.63	103.87
DJIA	33,630.61	700.530	33,710.66	32,997.39
S&P 500	3,895.08	86.980	3,906.19	3,809.56
NASDAQ	10,569.29	264.050	10,604.14	10,265.04
Nikkei 225	25,973.85	153.050	26,034.06	25,719.61
Hang Seng	20,991.64	-60.530	21,282.71	20,862.77
Straits Times	3,276.72	-15.940	3,290.32	3,271.08
DAX	14,610.02	173.710	14,610.23	14,388.98
CAC	6,860.95	99.450	6,860.95	6,757.46
FTSE100	7,699.49	66.040	7,700.81	7,633.45

Historical Volatility	10 Days	30 Days	60 Days	90 Days
E-Mini Dow Futures	15.92	17.29	19.58	20.93
E-Mini S&P Futures	19.24	20.51	24.34	24.84
E-Mini Nasdaq Futures	17.30	16.18	15.15	16.11



E-Mini Dow Index Futures Daily Chart



E-Mini NASDAQ 100 Index Futures Daily Chart



Technical Analysis

<b>Dow</b>				<b>S&amp;P</b>			
1st Resistance:	34279	2nd Resistance:	34785	1st Resistance:	3974.23	2nd Resistance:	4032.97
1st Support:	33265.77	2nd Support:	33909	1st Support:	3956.77	2nd Support:	3796.04
MACD:	-66.552			MACD:	-27.660871		
MACD DIFF:	-13.348			MACD DIFF:	-0.552513		
RSI:	53.934			RSI:	50.706759		

Strategy

	Long:	Profit target:	Stop-loss:		Long:	Profit target:	Stop-loss:
Dow	33265	33598	33099		32759	33086	32595
S&P	3856.77	3895.34	3837.48		3796.04	3836.02	3779.04
Nasdaq	10946.80	11056.27	10892.06		10780.10	10887.90	10726.19
Micro Russell	1773.89	1791.63	1765.02		1746.87	1764.34	1738.14

E-Mini S&P 500 Index Futures Daily Chart



Micro E-Mini Russell 2000 Index Futures Daily Chart



Nasdaq

1st Resistance:	11280.20	2nd Resistance:	11446.91
1st Support:	10946.80	2nd Support:	10780.10
MACD:	-195.294		
MACD DIFF:	-15.902		
RSI:	45.533		

Micro Russell

1st Resistance:	1827.91	2nd Resistance:	1854.93
1st Support:	1773.89	2nd Support:	1746.87
MACD:	-16.049		
MACD DIFF:	2.884		
RSI:	50.936		

Source: Bloomberg

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