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Global Markets Research

Daily Market Highlights

4 April: UST yields fell after ISM-Manufacturing slid

ISM-Manufacturing slipped to 46.3, its lowest since May 2020

Energy led gains in Wall Street; NASDAQ dragged by decline in Tesla shares

Oil prices jumped on OPEC+ output cut; Bullard said its impact on monetary policy unclear

- Energy shares led gains in S&P 500, sending the index higher by 0.4% d/d and to its fourth positive session after the surprised OPEC+ output cut. The Dow also climbed 1.0% d/d, while Nasdaq Composite slid 0.3% d/d after a 6.1% drop in Tesla shares. This comes after the EV giant reported that price cuts only boosted its vehicle deliveries marginally last quarter. In Fed Speak, St Louis President James Bullard said that the impact of OPEC's decision on US monetary policy is unclear at this juncture. In Europe, Stoxx 600 ended flattish, down less than 0.1% d/d, but FTSE 100 gained 0.5% d/d. Asia markets largely rose with the Nikkei 225 0.5% d/d higher while Hang Seng inched up by less than 0.1% d/d.
- Treasuries yields slid after the latest ISM-Manufacturing Index fell more than expected, stoking fears over economic growth and inflationary expectations after OPEC+ plan to cut output. The yield on the benchmark 2Y and 10Y UST declined 6bps each to 3.96% and 3.41%. The 10Y European bond yields, meanwhile, fell between 1-6bps.
- The Dollar Index slipped 0.4% d/d to 102.09 with both EUR and GBP strengthening against greenback by about 0.6% d/d each. Asian currencies closed mixed. JPY was 0.3% d/d stronger but CNH weakened 0.1% d/d after Caixin's PMI slid below expectations. MYR also weakened 0.1% d/d to 4.4180 but SGD was 0.3% d/d stronger at 1.3270.
- Oil prices notched their biggest gains in nearly a year, jumping between 6.3%-6.5% d/d each for both Brent and WTI after OPEC's surprised output cut. Gold also rallied 0.8% d/d on the greenback's retreat as markets grappled with OPEC's surprise.

Manufacturing PMIs in negative zone except for China

- The S&P Global US Manufacturing PMI was revised downwards by 0.1ppts to 49.2 in March (Feb: 47.3). The sector continued to signal concerning trends. Although output rose, growth was fractional and largely supported by a ramping up in production after a reduction in supply chain pressures. There is little change in domestic and international client demand at this juncture.
- The S&P Global Eurozone Manufacturing PMI was revised upwards by 0.2ppts to 47.3 in March (Feb: 48.5). Nevertheless, this is still a 4-month low and was due to the suppliers' delivery times index (which is inverted in the calculation of the headline PMI) surging to a survey-record.
- The S&P Global / CIPS UK Manufacturing PMI was shaved slightly by 0.1ppts to 47.9 in March (Feb: 49.3). The PMI has stayed below the neutral 50 mark for

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	33,601.15	0.98
S&P 500	4,124.51	0.37
NASDAQ	12,189.45	-0.27
Stoxx Eur 600	457.72	-0.03
FTSE 100	7,673.00	0.54
Nikkei 225	28,188.15	0.52
Hang Seng	20,409.18	0.04
Straits Times	3,281.08	0.68
KLCI 30	1,433.39	0.76
FX		
Dollar Index	102.09	-0.40
EUR/USD	1.0899	0.55
GBP/USD	1.2414	0.62
USD/JPY	132.46	-0.30
AUD/USD	0.6786	1.51
USD/CNH	6.8769	0.10
USD/MYR	4.4180	0.06
USD/SGD	1.3270	-0.29
Commodities		
WTI (\$/bbl)	80.42	6.28
Brent (\$/bbl)	84.93	6.47
Gold (\$/oz)	1,983.90	0.76
Copper (\$\$/MT)	8,917.00	-0.85
Aluminum(\$/MT)	2,397.50	-0.64
CPO (RM/tonne)	4,151.00	1.74

Source: Bloomberg, HLBB Global Markets Research

eight successive months and key finding for the month includes output contracted in the consumer and intermediate goods sectors.

- The health of the Japanese manufacturing sector showed signs of improvement in March, with headline Japan manufacturing PMI revised upwards to 49.2 (Feb: 47.7). This is the softest pace of contraction in the past 5 months. There were reports that manufacturers were increasingly stockpiling finished goods, as the holdings of post-production inventories rose at the steepest rate since February 2009.
- The Caixin China General Manufacturing PMI fell more than expected to 50.0 in March (Feb: 51.6) as activity stabilized after a fast recovery in February. Of note, external demand weakened as seen by the gauge for new export orders falling back into contraction, the seventh time in the past eight months.
- The S&P Global Vietnam Manufacturing PMI slipped to 47.7 in March (Feb: 51.2). Output, new orders and employment were all down amid reports of muted demand. The softening of conditions in March will hopefully be just a blip with firms remaining confident in the year-ahead outlook.
- The S&P Global Malaysia Manufacturing PMI edged up marginally to 48.8 in March (Feb: 48.4), marking the least marked slowdown in business conditions since last September. While new orders scaled back to least extent since last October, production volumes remain subdued while input price inflation eased to a 34-month low.

US ISM Manufacturing slid to 46.3, lowest since May 2020

- The ISM-Manufacturing Index dipped more than expected to 46.3 in March (Feb: 47.7), a fourth month of contraction and its lowest level since May 2020. Demand has eased as reflected by; 1) new orders contracting at a faster rate; 2) new export orders still below 50; 3) customers' inventories entering the high end of a 'just right' level, a negative for future production; and 4) backlog of orders sagging again and continuing in contraction.
- Construction spending unexpectedly fell 0.1% m/m (Feb: +0.4% m/m), with private residential spending worsening to -0.6% m/m (Feb: -0.2% m/m).

Australia's home loan slumped 0.9% m/m

- Australia's home loan approvals continued to slump, albeit at a slower than expected pace of -0.9% m/m in March (Feb: -2.4% m/m). Improvement was seen across the board, especially with first home buyers registering its first expansion at +0.9% m/m. Building approvals, meanwhile, rebounded to grow by 4.0% m/m (Feb: -27.1% m/m). As it is, housing markets have weakened following the end of government stimulus and higher interest rates.
- Separate data by the Melbourne Institute showed that the monthly inflation gauge eased to +0.3% m/m and 5.7% y/y in March (Feb: +0.4% m/m and +6.3% y/y).

Tankan: Business sentiment for manufacturers slipped for the 5th quarter

- According to the Japanese Tankan survey, business sentiment at big Japanese manufacturers worsened more than expected and for the 5th quarter to +1 in 1Q (4Q: +7). The continued deterioration in confidence essentially reflects concerns over economic slowdown and adding a case for BOJ to keep its monetary stimulus. Big non-manufacturers' index, meanwhile, rose +20 (4Q: +19) as easing border controls and an end to COVID-19 curbs heightened hopes for a rebound in tourism and consumption. Moving forward, big firms plan to raise capital expenditure by 3.2% (4Q: +19.2%).

Singapore PMI retreated back to mild contraction

- Singapore PMI edged down slightly to 49.9 in March after February's clip of 50.0. This is despite the Electronics Sector PMI posting its fourth consecutive month of slight improvement, albeit still contractionary at 49.4 (Feb: 49.3). Of note, the Electronics PMI was supported by improved readings in the new orders and new export orders sub-indices and this bodes well for manufacturers going forward who had been hit with dampening global demand and unabated geopolitical risk. China's lifting of strict Covid-19 restrictions should boost demand and ease the supply situations nevertheless.

House View and Forecasts

FX	This Week	1Q-23A	2Q-23	3Q-23	4Q-23
DXY	101-103	103	104	103	102
EUR/USD	1.08-1.10	1.08	1.06	1.06	1.06
GBP/USD	1.22-1.25	1.23	1.21	1.21	1.21
USD/JPY	130-134	133	132	132	131
AUD/USD	0.66-0.68	0.67	0.69	0.70	0.71
USD/MYR	4.38-4.44	4.42	4.36	4.30	4.25
USD/SGD	1.32-1.34	1.33	1.31	1.29	1.27

Rates, %	Current	1Q-23A	2Q-23	3Q-23	4Q-23
Fed	4.75-5.00	4.75-5.00	5.00-5.25	5.00-5.25	5.00-5.25
ECB	3.50	3.50	4.00	4.00	4.00
BOE	4.25	4.25	4.25	4.25	4.25
BOJ	-0.10	-0.10	-0.10	-0.10	-0.10
RBA	3.60	3.60	3.85	3.85	3.85
BNM	2.75	2.75	3.00	3.00	3.00

Source: HLBB Global Markets Research

Up Next

Date	Events	Prior
4-April	AU RBA Cash Rate Target	3.60%
	EC PPI YoY (Feb)	15.00%
	US Factory Orders (Feb)	-1.60%
	US JOLTS Job Openings (Feb)	10824k
	US Durable Goods Orders (Feb F)	-1.0%
	US Cap Goods Orders Nondef Ex Air (Feb F)	0.20%
5-April	AU Judo Bank Australia PMI Services (Mar F)	48.2
	JN Jibun Bank Japan PMI Services (Mar F)	54.2
	SI S&P Global Singapore PMI (Mar)	49.6
	SI Retail Sales Ex Auto YoY (Feb)	2.10%
	EC S&P Global Eurozone Services PMI (Mar F)	55.6
	UK S&P Global/CIPS UK Services PMI (Mar F)	52.8
	US MBA Mortgage Applications (11383)	2.90%
	US ADP Employment Change (Mar)	242k
	US Trade Balance (Feb)	-\$68.3b
	US S&P Global US Services PMI (Mar F)	53.8
	US ISM Services Index (Mar)	55.1

Source: Bloomberg

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