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Global Markets Research
Daily Market Highlights

26 May: Nvidia's surge powered tech rally

**NASDAQ, S&P 500 closed higher; extended selling pressure on UST on debt ceiling angst
US 1Q GDP revised upwards; pending home sales steady; jobless claims rose slightly
Germany entered technical recession; EUR weakened**

- The S&P 500 and Nasdaq Composite closed higher on Thursday as the jump in Nvidia's latest quarterly results spurred a rally in technology stocks. The tech-heavy Nasdaq popped 1.7% d/d, the S&P 500 climbed 0.9% d/d, but Dow Jones Industrial Average dipped 0.1% d/d. Nvidia shares surged 24.4% d/d, while other semiconductor stock like AMD, Alphabet and Microsoft followed Nvidia's lead. Elsewhere, negotiations to raise the US debt ceiling continued.
- European markets also ended lower earlier in the day on negative sentiment underpinned by the ongoing US debt ceiling negotiations. Stoxx 600 slid 0.3% d/d, while FTSE 100 fell 0.7% d/d. In Asia, Hang Seng plunged 1.9% d/d, but Nikkei 225 bucked the trend to gain 0.4% d/d.
- Angst over the debt ceiling added to selling pressures in the Treasuries market, sending the 10Y up 8bps to 3.82%, while the 2Y popped 16bps to 4.53%. The 10Y European bonds yield also closed up between 4 to +16bps.
- DXY climbed for the fourth day, touching as high as 104.31 lifted by resilient economic data from the US. DXY, nevertheless, retreated slightly to close the day at 104.25 and was still up 0.4% d/d. EUR weakened 0.2% d/d after German data showed that the economy entered a technical recession in 1Q. Similarly, GBP also depreciated by 0.4% d/d. In Asia, MYR was one of the worst performing currencies in the region, depreciating 0.7% d/d to 4.6265. JPY, CNH and SGD weakened by 0.4% d/d each.
- Oil prices snapped its 3-day rally after Russian Deputy Prime Minister Alexander Novak played down prospects of further OPEC+ production cuts at its meeting next week. The West Texas Intermediate plunged 3.4% d/d, while Brent fell 2.7% d/d. Gold also weakened 1.1% d/d after the upward revision in US GDP, cementing bets for more policy tightening.

US 1Q GDP growth revised upwards, pending home sales steady, jobless claims rose slightly, regional Fed activities better than expected

- The second estimate of US 1Q GDP was revised upwards by 0.2ppts to +1.3% (4Q: -2.6% q/q, primarily reflecting an upward revision in consumer spending by 0.1ppts to 3.8% (4Q: 1.0% q/q), that was partly offset by a decrease in inventory investment. The former saw increases in both goods and services, led by motor vehicles and parts as well as health care, food services and accommodations and financial services & insurance. The decrease in inventory investment primarily reflected decreases in wholesale trade and manufacturing.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	32,764.65	-0.11
S&P 500	4,151.28	0.88
NASDAQ	12,698.09	1.71
Stoxx Eur 600	456.18	-0.32
FTSE 100	7,570.87	-0.74
Nikkei 225	30,801.13	0.39
Hang Seng	18,746.92	-1.93
Straits Times	3,207.72	-0.20
KLCI 30	1,402.48	-0.51
FX		
Dollar Index	104.25	0.35
EUR/USD	1.0725	-0.23
GBP/USD	1.2321	-0.36
USD/JPY	140.06	0.42
AUD/USD	0.6505	-0.60
USD/CNH	7.0919	0.37
USD/MYR	4.6265	0.72
USD/SGD	1.3546	0.38
Commodities		
WTI (\$/bbl)	71.83	-3.38
Brent (\$/bbl)	76.26	-2.68
Gold (\$/oz)	1,943.70	-1.06
Copper (\$\$/MT)	7,962.50	0.77
Aluminum(\$/MT)	2,231.00	1.18
CPO (RM/tonne)	3,501.00	-3.03

Source: Bloomberg, HLBB Global Markets Research

- Pending home sales unexpectedly held unchanged on a m/m basis in April (March: -5.2% m/m) amidst tight inventory and lower affordability which could delay a recovery in the housing market. On a y/y basis, sales remained contractionary at -22.6% y/y (March: -23.3% y/y),
- After the revisions in jobless claims due to fraudulent applications in Massachusetts, jobless claims appeared to be on a flat trend, rising by 4k to 229k for the week ended May 20 and offsetting prior week's -6k. Continuing claims, meanwhile, fell 5k to 1794k for the week ended May 13 (May 6: -8k to 1807k)
- Led by improvements in production-related indicators, the Chicago Fed National Activity Index unexpectedly rose to +0.07 in April (March: -0.37), pointing to a pickup in economic growth during the month. All four categories improved, although two made negative contributions.
- Kansas City manufacturing activity remained mostly steady in May, improving more than expected to -1 in May (Apr: -10). Of note, prices for raw materials have cooled significantly and overall prices are expected to soften further in the next six months. More importantly, the future composite index was modestly positive at 2.

Germany entered technical recession

- The German economy entered a technical recession in 1Q, with the statistics office downwardly revising its GDP from zero to -0.3% q/q (4Q: 0.5% q/q). The downgrade was on the back of a plunge in government expenditure as well as lower consumer spending. Notably, households were spending less on food and beverages, clothing and footwear, furnishing as well as electric vehicles as incentives were reduced. On the flip side, investment rose aided by construction due to warm weather.

Tokyo inflation slowed, but pressures remained widespread

- Led by a decline in electricity and gas prices, core prices in Tokyo decelerated more than forecast to +3.2% y/y in May (Apr: 3.5% y/y), supporting the central bank's view that inflation will decelerate towards autumn. Still, stripping both energy and fresh good, the underlying inflation rate rose at the fastest pace since 1982 at +3.9% y/y, indicating that inflationary pressure remained widespread outside energy. Meanwhile, separate data showed that Japan's PPI Services unexpectedly held steady at +1.6% y/y.

Singapore cut trade forecast for 2023

- Singapore cut its 2023 growth forecasts for non-oil domestic exports (NODX) and total merchandise trade on the back of worse than expected trade data in 1Q. NODX is now expected to shrink by 8%-10%, while total merchandise trade to contract by 6%-8%, dragged down by the manufacturing down cycle and lower oil prices. This pales against its previous forecast of -2%-0 for both trade numbers.

House View and Forecasts

FX	This Week	2Q-23	3Q-23	4Q-23	1Q-24
DX	102-104	100.97	99.96	97.96	96.98
EUR/USD	1.07-1.09	1.10	1.11	1.12	1.13
GBP/USD	1.23-1.25	1.24	1.25	1.24	1.24
USD/JPY	136-140	131	130	128	128
AUD/USD	0.66-0.67	0.68	0.68	0.69	0.70
USD/MYR	4.54-4.60	4.39	4.35	4.31	4.28
USD/SGD	1.33-1.35	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
26-May	AU Retail Sales MoM (Apr)	0.40%
	MA CPI YoY (Apr)	3.40%
	SI Industrial Production SA MoM (Apr)	9.30%
	UK Retail Sales Inc Auto Fuel MoM (Apr)	-0.90%
	US Personal Income (Apr)	0.30%
	US Wholesale Inventories MoM (Apr P)	0.00%
	US Advance Goods Trade Balance (Apr)	-\$84.6b
	US Personal Spending (Apr)	0.00%
	US Real Personal Spending (Apr)	0.00%
	US Retail Inventories MoM (Apr)	0.70%
	US Durable Goods Orders (Apr P)	3.20%
	US PCE Deflator YoY (Apr)	4.20%
	US Durables Ex Transportation (Apr P)	0.20%
	US Cap Goods Orders Nondef Ex Air (Apr P)	-0.60%
	US U. of Mich. Sentiment (May F)	57.7
US U. of Mich. 1 Yr Inflation (May F)	4.50%	
US U. of Mich. 5-10 Yr Inflation (May F)	3.20%	
US Kansas City Fed Services Activity (May)	7	
27-May	CH Industrial Profits YTD YoY (Apr)	-21.40%
29-May	JN Leading Index CI (Mar F)	97.5
	HK Exports YoY (Apr)	-1.50%
29 May - 9		
June	EC OECD Publishes Economic Outlook	

Source: Bloomberg

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