

1 April 2024

Global Markets Research

Daily Market Highlights

1 April: All eyes on US ISM and China Caixin PMI today

US PCE prices moderated; consumer spending supported the economy; flattish DXY

China's manufacturing PMI turned positive for the first time in six months

Sentiment amongst Japanese manufacturers deteriorated slightly, albeit still positive

- The stock, bond and commodity markets were closed for the Good Friday holiday in the US and Europe.
- While most markets in the Asia region were also shut, Japan and China stocks closed higher, the latter boosted by speculation that Beijing will expand its monetary easing tools to boost the economy. The South China Morning Post cited President Xi Jinping as having said the central bank should increase the trading of treasury bonds in its open market operations.
- Trading in the forex market, meanwhile, was largely focused on JPY, which held near its 5Y low at 151.35, defying comments from Japanese government officials that threatened a possible market intervention again. MYR, meanwhile, strengthened 0.2% d/d against the greenback to 4.7250, with this week's hurdle being the US jobs reports. Elsewhere, other G10 and regional currencies traded within a tight range (+/-0.1% d/d). DXY inched down 0.1% d/d to 104.49.

US inflation moderated; consumer spending supported the economy

- Cooling inflation and resilient spending, a set of good news for the Fed. Headline personal consumption expenditure (PCE) price index surprised on a downside with a +0.3% m/m growth in February (Jan: +0.4% m/m), while core cooled as per expected to +0.3% m/m (Jan: +0.5% m/m). Services inflation also fell sharply to +0.3% m/m from +0.6% m/m. Consumer spending, meanwhile, remained resilient, accelerating more than expected +0.8% m/m (Jan: +0.2% m/m) despite personal income growth moderating to +0.3% m/m (Jan: +1.0% m/m). The increase in spending reflected increases in both services and goods, the former led by financial services, transportation as well as housing & utilities and the latter due to motor vehicles and parts.
- As it is, both headline and core PCE prices remained above Fed's target at +2.5% y/y and +2.8% y/y respectively (Jan: +2.4% y/y and +2.9% y/y) while much of the spending was funded from savings (savings rate dropped to 3.6%, its lowest since December 2022). As such, we think that cooling, albeit still resilient labour market and income growth suggests that consumer spending could soften going forward, prompting the Fed to start cutting rates towards mid-2024.
- Trade deficit unexpectedly widened to \$91.8bn in February (Jan: -\$90.5bn), its largest deficit since last April. Exports expanded at a faster pace than imports +2.8% m/m and +2.3% m/m in February (Jan: +0.1% m/m and +1.2% m/m), both driven by jumps in food and beverages. (The absolute increase in imports is much bigger than the increase in exports, hence the bigger deficit).
- The Kansas City Fed Services Activity index grew again in March, albeit at a slower pace of 7 (Feb: +12), while expectations for the next six months were

Key Market Metrics

| | Level | d/d (%) |
|--------------------|-----------|---------|
| Equities | | |
| Dow Jones | 39,807.37 | 0.12 |
| S&P 500 | 5,254.35 | 0.11 |
| NASDAQ | 16,379.46 | -0.12 |
| Stoxx Eur 600 | 512.67 | 0.18 |
| FTSE 100 | 7,952.62 | 0.26 |
| Nikkei 225 | 40,369.44 | 0.50 |
| CSI 300 | 3,537.48 | 0.47 |
| Hang Seng | 16,541.42 | 0.91 |
| Straits Times | 3,224.01 | 0.00 |
| KLCI 30 | 1,536.07 | 0.36 |
| FX | | |
| Dollar Index | 104.49 | -0.06 |
| EUR/USD | 1.0790 | 0.01 |
| GBP/USD | 1.2623 | -0.01 |
| USD/JPY | 151.35 | -0.02 |
| AUD/USD | 0.6521 | 0.08 |
| USD/CNH | 7.2572 | -0.07 |
| USD/MYR | 4.7250 | -0.20 |
| USD/SGD | 1.3493 | -0.07 |
| Commodities | | |
| WTI (\$/bbl) | 83.17 | 2.24 |
| Brent (\$/bbl) | 87.48 | 1.61 |
| Gold (\$/oz) | 2,217.40 | 1.22 |
| Copper (\$\$/MT) | 8,867.00 | 0.20 |
| Aluminum(\$/MT) | 2,337.00 | 1.68 |
| CPO (RM/tonne) | 4,296.50 | -1.72 |

Source: Bloomberg, HLBB Global Markets Research
 * Dated as of 27 March for CPO, 28 March for Dow Jones, S&P 500, Nasdaq, Stoxx Eur 600, FTSE 100, Hang Seng, Straits Times, Brent, WTI, Gold, Aluminium, Copper

flat (1 vs -3) as firms expect employment to stay steady and sales to grow only slightly. Input price growth continued to outpace increases in selling prices, but the spread between the two has narrowed. Growth during the month was also driven primarily by professional services, restaurants, and auto dealers.

Sentiment amongst Japanese manufacturers weakened, albeit still positive

- Confidence amongst Japanese largest manufactured weakened slightly for the first time in 4Q, although by less than expected, partly reflecting the impact from a major earthquake that struck north of Tokyo at the beginning of the year. The Tankan Large Manufacturing index eased 3ppts to 11 in 1Q, but a positive reading suggests that optimistic views still outnumber negative. Meanwhile, sentiment amongst the services sectors were more positive than expected at 34 (4Q: 32) and the average predicted exchange rate for all enterprises stood at 141.60 in 1H and 141.25 for 2H against USD.

China's manufacturing PMI turned expansionary for the first time in 6 months

- Official manufacturing PMI turned expansionary for the first time in six months in March and at its fastest pace since March 2023, a strong end to 1Q and offering relief to policymakers even as a crisis in the property sector remains a drag on the economy and confidence. The official PMI rose more than expected to 50.8 in March (Feb: 49.1), as new export orders rose into positive territory, breaking a 11-month slump, while employment continued to shrink, albeit at a slower rate. Its non-manufacturing PMI, meanwhile, accelerated more than expected to 53.0 (Feb: 51.4) but recovery remains shaky given that the employment and new orders sub-indices were still in negative territory, in line with the still sluggish household consumption.

Vietnam's 1Q GDP disappointed with a 5.7% growth

- Despite lower base effects, 1Q GDP came in significantly below forecast and decelerated for the first time in four quarters to +5.7% y/y growth (4Q23: +6.7% y/y). Weighing on growth was an uneven exports and factory output, which saw both numbers fluctuating significantly during the quarter, while consumer spending has largely remained resilient.
- On the supply side, data shows that the agriculture, forestry & fishing; industry & construction as well as services expanded by a more moderate pace of +3.0% y/y, +6.3% y/y and +6.1% y/y respectively (4Q: +4.1% y/y, +7.4% y/y and +7.3% y/y). On the demand side, final consumption and gross fixed capital formation increased by 4.9% y/y and 4.7% y/y respectively. Export of goods and services increased by 18.0% y/y, but this was cushioned by a 17.8% y/y expansion for imports of goods and services.

House View and Forecasts

| FX | This Week | 1Q-24 | 2Q-24 | 3Q-24 | 4Q-24 |
|-----------|------------------|--------------|--------------|--------------|--------------|
| DXY | 103-106 | 101.84 | 101.33 | 100.82 | 100.32 |
| EUR/USD | 1.06-1.10 | 1.10 | 1.11 | 1.11 | 1.10 |
| GBP/USD | 1.24-1.28 | 1.28 | 1.29 | 1.29 | 1.27 |
| USD/JPY | 149-154 | 142 | 140 | 137 | 134 |
| AUD/USD | 0.63-0.67 | 0.68 | 0.68 | 0.69 | 0.70 |
| USD/MYR | 4.67-4.76 | 4.69 | 4.66 | 4.62 | 4.56 |
| USD/SGD | 1.33-1.37 | 1.33 | 1.32 | 1.31 | 1.30 |

| Rates, % | Current | 1Q-24 | 2Q-24 | 3Q-24 | 4Q-24 |
|-----------------|----------------|--------------|--------------|--------------|--------------|
| Fed | 5.25-5.50 | 5.25-5.50 | 5.00-5.25 | 4.50-4.75 | 4.50-4.75 |
| ECB | 4.50 | 4.50 | 4.25 | 3.75 | 3.50 |

| | | | | | |
|-----|-------|----------|----------|----------|----------|
| BOE | 5.25 | 5.25 | 5.25 | 5.00 | 4.50 |
| BOJ | -0.10 | 0 - 0.10 | 0 - 0.10 | 0 - 0.10 | 0 - 0.10 |
| RBA | 4.35 | 4.35 | 4.35 | 4.35 | 4.10 |
| BNM | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 |

Source: HLBB Global Markets Research

Up Next

| Date | Events | Prior |
|---------|--|--------|
| 1-April | JN Jibun Bank Japan PMI Mfg (Mar F) | 48.2 |
| | MA S&P Global Malaysia PMI Mfg (Mar) | 49.5 |
| | VN S&P Global Vietnam PMI Mfg (Mar) | 50.4 |
| | CH Caixin China PMI Mfg (Mar) | 50.9 |
| | US S&P Global US Manufacturing PMI (Mar F) | 52.5 |
| | US Construction Spending MoM (Feb) | -0.20% |
| 2-April | US ISM Manufacturing (Mar) | 47.8 |
| | AU Judo Bank Australia PMI Mfg (Mar F) | 46.8 |
| | AU Melbourne Institute Inflation YoY (Mar) | 4.00% |
| | AU RBA Minutes of March Policy Meeting | |
| | UK Nationwide House PX MoM (Mar) | 0.70% |
| | EC HCOB Eurozone Manufacturing PMI (Mar F) | 45.7 |
| | EC ECB 1 Year CPI Expectations (Feb) | 3.30% |
| | EC ECB 3 Year CPI Expectations (Feb) | 2.50% |
| | UK Mortgage Approvals (Feb) | 55.2k |
| | UK S&P Global UK Manufacturing PMI (Mar F) | 49.9 |
| | SI Purchasing Managers Index (Mar) | 50.6 |
| | US JOLTS Job Openings (Feb) | 8863k |
| | US Factory Orders (Feb) | -3.60% |

Source: Bloomberg

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