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Global Markets Research

Daily Market Highlights

2 April: US ISM-Manufacturing back to expansionary zone

Better-than-expected US ISM pared rate cut bets; sending UST yields and DXY higher
Weaker new orders component in PMI manufacturing signalled softer demand outlook
All eyes on RBA minutes to the March policy meeting today

- S&P 500 started the trading day slightly in green but reversed course after the latest ISM-Manufacturing surpassed expectations and showed that the sector expanded for the first time since September 2022 and prompted investors to dial back bets on interest rate cuts. The 3 major indices closed mixed, with the Dow and S&P 500 sliding by 0.6% and 0.2% d/d respectively, but strength in large technology stocks pulled Nasdaq slightly into positive territory at +0.1% d/d.
- Elsewhere, the European, UK and Hong Kong markets remain closed for Easter Monday, but China stocks rose after its positive factory activity data while Nikkei 225 dropped below 40k after Japan's manufacturing business optimism fell slightly. Following the strong US data, Asian stocks are poised for a cautious open today.
- Yields on the 2Y Treasury, which largely reflect investors' expectations for short-term rates set by the Fed, jumped 9bps to 4.71%, while the 10Y yield also rose 11bps to 4.31%. Interest rate futures showed that investors anticipate a full 25bps rate cut starting only in the September policy meeting,
- Tracking higher UST yields post ISM-Manufacturing, DXY also scaled to its highest since mid-February, gaining 0.5% d/d to 105.02. All G10 and regional currencies weakened against USD save the TWD. Within the G10, EUR, GBP and AUD weakened between 0.4-0.5% d/d against greenback, while JPY depreciated by 0.2% d/d to 151.65. Overnight, the Japanese Finance Minister echoed its peers, commenting that the government will take appropriate measures against any excessive currency moves. Within regional currencies, MYR and SGD weakened in tune to 0.1-0.2% d/d and CNH just below the flatline despite its upbeat PMIs.
- In the crude oil market, the West Texas Intermediate rallied +0.7% d/d on more prospects of tightening crude supplies amidst escalation geopolitical tensions after Israeli airstrike and after state-controlled Pemex in Mexico plans to stop some crude exports over the next few months, potentially cutting flows to the global market. Better than expected China manufacturing PMIs also boosted expectations of strengthening demand, bolstering prices.

US ISM Manufacturing rebounded above 50

- The ISM-Manufacturing came better than expected and moved into expansionary territory for the first time since September 2022 to 50.3 in March (Feb: 47.8). Amongst the sub-indices, the New Orders index moved above 50 to 51.4 (+2.2ppts), while the Prices and Employment indices stood at 55.8 (+3.3ppts) and 47.4 (+1.5ppts) respectively. As it is, demand remains at the early stages of recovery, with clear signs of improving conditions but there are emerging signs that suppliers are showing signs of struggling due to

Key Market Metrics

| | Level | d/d (%) |
|--------------------|-----------|---------|
| Equities | | |
| Dow Jones | 39,566.85 | -0.60 |
| S&P 500 | 5,243.77 | -0.20 |
| NASDAQ | 16,396.83 | 0.11 |
| Stoxx Eur 600 | 512.67 | 0.18 |
| FTSE 100 | 7,952.62 | 0.26 |
| Nikkei 225 | 39,803.09 | -1.40 |
| CSI 300 | 3,595.65 | 1.64 |
| Hang Seng | 16,541.42 | 0.91 |
| Straits Times | 3,234.89 | 0.34 |
| KLCI 30 | 1,544.02 | 0.52 |
| FX | | |
| Dollar Index | 105.02 | 0.51 |
| EUR/USD | 1.0743 | -0.44 |
| GBP/USD | 1.2552 | -0.56 |
| USD/JPY | 151.65 | 0.20 |
| AUD/USD | 0.6489 | -0.49 |
| USD/CNH | 7.2595 | 0.03 |
| USD/MYR | 4.7305 | 0.12 |
| USD/SGD | 1.3523 | 0.22 |
| Commodities | | |
| WTI (\$/bbl) | 83.71 | 0.65 |
| Brent (\$/bbl) | 87.42 | -0.07 |
| Gold (\$/oz) | 2,236.50 | 0.86 |
| Copper (\$\$/MT) | 8,867.00 | 0.20 |
| Aluminum(\$/MT) | 2,337.00 | 1.68 |
| CPO (RM/tonne) | 4,284.00 | -0.02 |

Source: Bloomberg, HLBB Global Markets Research
 * Dated as of 29 March for CPO; 28 March for Copper, Aluminium, FTSE100, Stoxx Eur 600 and Hang Seng

raw material supply chains.

- On a negative note, construction spending unexpectedly worsened to -0.3% m/m in February (Jan: -0.2% m/m), the second month of contraction mainly due to lower public construction and non-residential private construction. Private residential construction accelerated to +0.7% m/m (Jan: +0.2% m/m), helping to fill the gap in inventory levels, the lack thereof, has kept prices elevated throughout last year.

Upbeat PMI from China again, while S&P PMIs suggests that Malaysian manufacturers were under pressure

- The final reading of the S&P Global US manufacturing PMI was revised down 0.6ppts to 51.9 in March (Feb: 52.2). Marking the third successive month of expansion, the US economy appears to expand at a solid pace in 1Q. Signs of improving wider economic conditions and market demand led to quicker job creation and further expansion in production, the latter to its highest in 22-months. New order growth, nonetheless, softened.
- The final Judo Bank Australia Manufacturing PMI was revised upwards by 0.5ppts to 47.3 in March (Feb: 47.8), the second successive monthly deterioration and the most pronounced since May 2020. Underpinning the latest downturn was an accelerated fall in new work orders, which led to a reduction in output, business confidence, employment and purchasing levels. As it is, the manufacturing sector is playing out in line with expectations for a soft landing in the economy. While this will help with the rebalancing of Australia's macro economy, manufacturing accounts for only a small component of total output.
- Echoing the official PMI and the gradual stabilising effect from the slew of stimulus policies introduced earlier this year, the Caixin China manufacturing PMI rose a shade higher than expected to 51.1 in March (Feb: 50.9). This is the fastest pace in 13 months, driven by greater inflows of new work, including from overseas. Chinese manufacturers also increased production and raised their purchasing levels amid improved optimism, but maintained cautious stance with regards to staffing levels.
- The final Jibun Bank Japan manufacturing PMI was left unchanged at 48.2 in March (Feb: 47.2). While a downbeat end to 1Q, there were signs that the worst of the weakness had passed amidst softer reductions in both output and new orders. The near-term outlook appears subdued given the lack of new orders and firms continue to clear outstanding businesses.
- Malaysian manufacturers remained under pressure in March, as the latest S&P Global Malaysia manufacturing PMI eased to its 3-month low of 48.4 (Feb: 49.5). New orders, output and employment were all scaled back to a greater extent, and at the most pronounced rates YTD. Still, the historical relationship between the PMI and official GDP data indicates that 1Q will likely see continued growth, picking up further in 2H on the back of a recovery in external demand.
- Growth stalled in the Vietnamese manufacturing sector as subdued demand put the brakes on new orders and production. Demand weakness was also reflected in the PMI's price indices, with outright reduction in selling prices recorded. Consequently, the S&P Global Vietnam Manufacturing PMI dipped below 50-benchmark to 49.9 in March (Feb: 50.4). On a positive note, firms are increasingly optimistic that the sector will recover, helping to drive accelerated job creation.

| 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 |
|---------|--|--------|
| 2-April | 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 |
| 3-April | US Factory Orders (Feb) | -3.60% |
| | JN Jibun Bank Japan PMI Services (Mar F) | 54.9 |
| | SI S&P Global Singapore PMI (Mar) | 56.8 |
| | CH Caixin China PMI Services (Mar) | 52.5 |
| | HK Retail Sales Value YoY (Feb) | 0.90% |
| | EC CPI Core YoY (Mar P) | 3.10% |
| | EC Unemployment Rate (Feb) | 6.40% |
| | US MBA Mortgage Applications | -0.70% |
| | US ADP Employment Change (Mar) | 140k |
| | US S&P Global US Services PMI (Mar F) | 51.7 |
| | US ISM Services Index (Mar) | 52.6 |

Source: Bloomberg

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