

3 April 2024

## Global Markets Research

### Daily Market Highlights

## 3 April: RBA did not consider rate hike at its latest meeting

**Fading rate cut optimism dented sentiment; DXY touched 105 briefly; UST closed mixed  
Better than expected US jobs data; UK manufacturing PMI turned expansionary  
Oil markets jumped on fresh supply threats due to geopolitical tension; OPEC+ output cut**

- All the three major indices closed Tuesday in the red between 0.7-1.0% d/d, the second day of losses for the Dow and S&P 500 after traders lowered expectations that the Federal Reserve would cut interest rates in June following the slew of positive economic data released over the week and on doubts that the Fed has fully tamed inflation. Eight of the eleven S&P sectors finished in red, but higher oil prices lifted the energy sector. The healthcare sector and insurers suffered after the Biden Administration announced Medicare Advantage rates that were lower than expected. In Fed speaks, Fed Presidents Mary Daly and Loretta Mester both said that they anticipate rate cuts this year but do not expect to start easing soon.
- Similarly, European markets had a rocky start to the quarter. Stoxx Eur 600 and FTSE 100 slid between 0.2-0.8% d/d, with most sectors closing in the red save for energy giants and miners. Asian markets closed mixed, with Hang Seng leading gains, supported by a jump in Xiaomi shares as investors cheered early signs of its EV success. Nonetheless, Asian markets are expected to retreat today as the US rate cut optimism fades.
- The US Treasury market closed mixed, with the 2Y down 2bps to 4.69%, while the 10Y rose 4bps to 4.35%. Led by UK gilts, 10Y European bond yields jumped between 10-15bps.
- DXY changed hands above 105 for the first time since November, but lost traction and closed 0.2% d/d lower at 104.82. All G10 currencies strengthened against USD except for CHF, but most regional currencies weakened against the Dollar, notably risk-sensitive currencies like THB (-0.6% d/d) and MYR (-0.5% d/d).
- Oil prices rallied 1.7% d/d to their highest level since October as investors closely monitored fresh supply threats amidst an escalating conflict in the Middle East and a Ukrainian drone strike on a major Russian oil refinery. Oil prices were further bolstered by anticipation that OPEC+ will extend its output cut when they meet this week.

#### RBA members did not consider rate hike at its latest policy meeting

- Highlights from the minutes to the latest Reserve Bank of Australia's (RBA) policy meeting includes: 1) The central bank didn't consider raising rates. 2) The risks to outlook were "a little more even," one in which it was difficult to either rule in or out future changes in the cash rate target. 3) Returning inflation to target remained the highest priority and that it would take some time before the policy makers are sufficiently confident that this would occur. Members, however, noted the importance of preserving as many of the gains in the labour market as possible. 4) Members noted that most households remained able to service their debts and meet essential expenses, and this

#### Key Market Metrics

	Level	d/d (%)
<b>Equities</b>		
Dow Jones	39,170.24	-1.00
S&P 500	5,205.81	-0.72
NASDAQ	16,240.45	-0.95
Stoxx Eur 600	508.57	-0.80
FTSE 100	7,935.09	-0.22
Nikkei 225	39,838.91	0.09
CSI 300	3,580.68	-0.42
Hang Seng	16,931.52	2.36
Straits Times	3,247.72	0.40
KLCI 30	1,547.99	0.26
<b>FX</b>		
Dollar Index	104.82	-0.19
EUR/USD	1.0770	0.25
GBP/USD	1.2578	0.21
USD/JPY	151.56	-0.06
AUD/USD	0.6518	0.45
USD/CNH	7.2546	-0.07
USD/MYR	4.7525	0.47
USD/SGD	1.3515	-0.06
<b>Commodities</b>		
WTI (\$/bbl)	85.15	1.72
Brent (\$/bbl)	88.92	1.72
Gold (\$/oz)	2,261.00	1.10
Copper (\$\$/MT)	8,991.00	1.40
Aluminum(\$/MT)	2,380.00	1.84
CPO (RM/tonne)	4,356.00	1.68

Source: Bloomberg, HLBB Global Markets Research  
\* Dated as of 1 April for CPO

was expected to remain true even if inflation were to prove more persistent than anticipated. 5) The board also considered 3 options for the future framework that the RBA could use to implement monetary policy, endorsing transitioning to a new system of “ample reserves.” Assistant Governor Christopher Kent added later that the shift has no implications on the monetary policy stance.

- The Melbourne Institute inflation gauge eased for the third month to 3.8% y/y in March (Feb: 4.0% y/y).

#### **Upward revisions to the S&P PMIs for Eurozone and UK; positive zone for the latter**

- While the final reading of the HCOB Eurozone Manufacturing PMI was revised upwards by 0.4ppts to 46.1 in March, it is worse than February’s 46.5, due to underperformance in the German and French industries and signalling that the economy may stay in recession in 1Q. Nonetheless, there were signs of positive momentum building as the output and new orders indices maintained their upward trajectories, while business confidence rose to its highest level in nearly a year.
- Similarly, the final S&P Global UK Manufacturing PMI was also revised upwards by 0.4ppts, back above the expansionary territory at 50.3 in March (Feb: 47.5). This marks the first time the PMI has posted above the neutral 50.0 mark since July 2022 as the production and new orders sub-indices returned to growth. There were also other signs of stabilisation, with rates of contraction in employment and purchasing activity slowing sharply and business optimism about the year-ahead outlook hitting an 11-month high.

#### **Better-than-expected labour and factory data from the US**

- A slew of better-than-expected economic data from the US. JOLTS job openings were little changed at 8.76m in February (Jan: 8.75m) while the ratio of vacancies to unemployed, a gauge of labour market tightness, declined to 1.36 (Jan: 1.43). Job openings increased most in finance & insurance, state & local government as well as art, entertainment and recreation while the information industry saw the largest drop in openings. Layoffs also increased, with the layoff rate rising to 1.1% from 1.0% previously, while the quit rate stood at 2.2% for the 4<sup>th</sup> month. Despite the better-than-expected numbers, job openings and vacancies-to-unemployed rate were still down from its peak of 12.2m and 2.0 in March 2022, while the quit rate is below 2.6% just a year ago, all in line with a less tight labour market outlook and limiting wage pressures going forward.
- Factory orders rebounded more than expected in February, boosted by demand for machinery and commercial aircraft as manufacturing regains its footing. Factory orders increased 1.4% m/m after dropping 3.8% m/m previously, as commercial aircraft orders jumped 24.6% m/m after slumping 63.5% in the prior month. Orders for motor vehicle bodies, parts and trailers also rose 0.3% m/m (Jan: 0), while machinery orders increased 1.8% m/m (Jan: -0.8% m/m) lifted by a 12.5% m/m surge in mining, oil field and gas field machinery.

#### **Eurozone’s inflation expectations for the 1Y softened to its lowest since 2022**

- Inflation expectations of consumers in the bloc fell in February, reinforcing hopes that price growth will ease further in the coming months. The median expectations for inflation over the next 12 months eased to 3.1% from 3.3%

previously, its lowest level since February 2022 before the Russia-Ukraine war, while expectations for inflation 3 years ahead remained unchanged at 2.5%.

#### UK mortgage approvals jumped in sign of strength in housing market

- Lenders approved the most mortgages in 17 months and more than expected, an indication of growing momentum in the property market despite a small dip in prices last month. Data from the BOE showed that banks and building societies approved 60.4k loans for house purchases in February, up from 56.1k previously, while Nationwide reported that house prices unexpectedly fell 0.2% m/m in March (Feb: +0.7% m/m) but remained 1.6% y/y higher as compared to a year ago. While the housing market outlook remains subdued given that affordability is still pretty stretched, the latest data supports views that buyers are returning to the market as mortgage rates cooled, real household incomes increased and as long as the labour market holds up.

#### Expansionary Singapore's PMI for the 7<sup>th</sup> straight month

- Manufacturing PMI inched up to 50.7 in March (Feb: 50.6), as region-wide factory activity continued making modest improvement. March's data marked the seventh straight month of expansion for the index, and is on par with January's highest reading in 2 years. As it is, the sector has benefitted and will continue to benefit from a recovery in tech cycle (SIA expects double digit growth for semiconductor sale this year), and consequently, saw the Electronics PMI increasing 0.4ppts m/m to 50.8 for the same month.

#### 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
3-April	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
4-April	AU Judo Bank Australia PMI Services (Mar F)	53.5
	AU Building Approvals MoM (Feb)	-1.00%

#### Hong Leong Bank Berhad

Fixed Income & Economic Research, Global Markets  
 Level 8, Hong Leong Tower  
 6, Jalan Damanlela  
 Bukit Damansara  
 50490 Kuala Lumpur  
 Tel: 603-2081 1221  
 Fax: 603-2081 8936

[HLMarkets@hibb.hongleong.com.my](mailto:HLMarkets@hibb.hongleong.com.my)

EC HCOB Eurozone Services PMI (Mar F)	51.1
UK DMP 1 Year CPI Expectations (Mar)	3.30%
UK S&P Global UK Services PMI (Mar F)	53.4
EC PPI YoY (Feb)	-8.60%
US Challenger Job Cuts YoY (Mar)	8.80%
US Trade Balance (Feb)	-\$67.4b
US Initial Jobless Claims	210k

Source: Bloomberg

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