

4 April 2024

## Global Markets Research

### Daily Market Highlights

## 4 April: Mixed data from the US and Powell shook markets

**Powell emphasized the need for more evidence of easing inflation before cutting rates**  
**US ISM-Services worsened, prices lowest since March 2020; private payrolls jumped**  
**Eurozone's inflation eased further; ECB policy maker said that a June rate cut is possible**

- While the Dow closed modestly lower at 0.1% d/d, the S&P 500 and Nasdaq snapped their losing streak and traded up 0.1-0.2% d/d. Sentiment was largely boosted by Fed Chair Jerome Powell's comments that the central bank is still likely to cut rates, although he emphasized the need for more evidence that inflation is easing before the Fed does so. President Raphael Bostic, meanwhile, said that he expects one rate cut this year, in 4Q. Meanwhile, fresh data point to a growing economy, albeit at a more measured pace. The ISM-services disappointed and slipped, while private payrolls jumped more than expected.
- Corporate wise, Disney shares fell after the entertainment giant fends off activist investor for the second time, Intel closed lower after reporting operating loss for its manufacturing arm but Paramount Global gained after reports that the company agreed to enter into an exclusive merger talk with Skydance.
- European markets closed in the green, shaking off some of the negative sentiment seen at the start of the quarter after Eurozone's inflation fell more than expected. Markets in Asia closed mostly lower, with shares of electric vehicle makers dropping on demand worries, but is expected to drift higher today following the equity futures.
- Treasuries closed mixed with the curve steepened post Powell's speech and ISM-Services data. The 2Y fell 2bps to 4.67%, while the 10Y closed just below the flatline at 4.35%. 10Y European bond yield closed mixed between -3 to +4bps.
- The Dollar Index fell the most in a week after the ISM Services report showed that price pressures are easing and after Powell's reassurance that the central bank is looking for clear signs of slowing inflation before cutting rates. DXY fell 0.5% d/d to 104.25, with all its G10 peers strengthening against the greenback save for the JPY. Asian currencies, meanwhile, closed mixed against the Dollar, with CNH and SGD appreciating between 0.1-0.3% d/d but MYR closed 0.1% d/d weaker at 4.7560.
- Oil advanced another 0.3-0.5% d/d after OPEC+ stuck with its production cuts until end-June and after an Energy Information Administration report showed that nationwide crude inventories rose 3.2mb/d last week, in contrast with American Petroleum Institute's projection of a drop in inventories. Nonetheless, the official figure showed a drop in gasoline stockpile.

#### Key Market Metrics

	Level	d/d (%)
<b>Equities</b>		
Dow Jones	39,127.14	-0.11
S&P 500	5,211.49	0.11
NASDAQ	16,277.46	0.23
Stoxx Eur 600	510.02	0.29
FTSE 100	7,937.44	0.03
Nikkei 225	39,451.85	-0.97
CSI 300	3,567.80	-0.36
Hang Seng	16,725.10	-1.22
Straits Times	3,222.66	-0.77
KLCI 30	1,537.01	-0.71
<b>FX</b>		
Dollar Index	104.25	-0.54
EUR/USD	1.0836	0.61
GBP/USD	1.2652	0.59
USD/JPY	151.70	0.09
AUD/USD	0.6565	0.72
USD/CNH	7.2488	-0.08
USD/MYR	4.7560	0.07
USD/SGD	1.3481	-0.25
<b>Commodities</b>		
WTI (\$/bbl)	85.43	0.33
Brent (\$/bbl)	89.35	0.48
Gold (\$/oz)	2,294.40	1.48
Copper (\$\$/MT)	9,262.50	3.02
Aluminum(\$/MT)	2,429.00	2.06
CPO (RM/tonne)	4,398.50	0.98

Source: Bloomberg, HLBB Global Markets Research

\* Dated as of 2 April for CPO

#### Mixed services PMIs – lower prints in the US and Singapore; upticks in Australia and Japan; China Caixin services unexpectedly improved

- The final US Services PMI was left unchanged at its 3-month low of 51.7 in March (Feb: 52.3). With the service sector still in growth territory, albeit with

softer expansion in both new businesses and output, firms continue to increase their staffing levels amid improved optimism about business prospects in the year ahead.

- The final Australia Services PMI was revised upwards by 0.9ppts to 54.4 in March (Feb: 53.1). The index is now above its long-run average level of 51.7 and the highest since April 2022, when the monetary policy tightening cycle commenced. Growth in new business was sustained during the month, backlogs accumulated for the first time since May 2022, while inflation rates softened.
- The final Japan Services PMI was revised down 0.8ppts to 54.1 in March (Feb: 52.9). As it is, the near-term outlook for the sector appears robust, as the level of outstanding business, a bellwether for upcoming work, continued to increase at near-record rates, while confidence in the 12-month outlook remained strong. One area of concern is marked increase in cost burdens.
- The Caixin China Services PMI unexpectedly rose to 52.7 in March (Feb: 52.5). While still below its long-term average, the quicker expansion indicates faster recovery for the sector underpinned by new business rising at the quickest rate YTD and improved business confidence, although employment levels declined amid evidence of reduced capacity pressures.
- The headline Singapore PMI edged down, but remained solid at 55.7 in March (Feb: 56.8). Notably, forward-looking indicators including new orders and backlogs of work continued to rise at steep rates, hinting at sustained business activity growth in the coming months. March data also revealed that price pressures eased with an especially sharp decline in purchase price inflation.

#### **US ISM-Services worsened; jump in private payrolls and pay**

- The ISM-Services index unexpectedly worsened to 51.4 in March (Feb: 52.6). The decrease was driven by slower new orders growth, faster supplier deliveries and a contraction in employment. The price index also fell to its lowest since March 2020, but even with some prices stabilizing, inflation is still a concern. Survey respondents noted improvement in logistics and the supply chain, but employment challenges remain due to difficulties in backfilling positions and/or controlling labor expenses.
- The US added more jobs than expected in March and by the most since last June in a broad advance, and with wage gains accelerating, pointing to a resilient labour market and consumer spending going forward. According to ADP, private payrolls increased 184k (Feb: Upwardly revised +155k), with job gains strong across industries with the exception of professional services, and led by the leisure and hospitality sector. What was surprising was not just the jump in pay gains by 10% for job changers, the second straight increase, but also the sectors that recorded them, namely construction, financial services, and manufacturing.
- Elevated, albeit lower mortgage applications (30Y fixed mortgage rate at 6.91%) weighed down on mortgage applications, sending applications down 0.6% w/w for the week ended March 29 (Mar 22: -0.7% w/w). Both refinance and purchase activities fell during the week, with the former by 1.6% m/m and the latter by 0.1% w/w (Mar 22: -1.6% w/w and -0.2% w/w).

#### **Eurozone's inflation inches closer to 2%; unemployment rate held steady**

- Both headline and core inflation eased more than expected to 2.4% y/y and +2.9% y/y in March (Feb: 2.6% y/y and +3.1% y/y), cementing prospects for an ECB rate cut starting in June. Food was the main drag on prices, as the big

jump in prices 2023 wasn't repeated this year. Non-energy prices also moderated, but the contraction in energy prices narrowed, reflecting diminishing favourable base effects. Services inflation remained sticky and steady at +4.0% y/y. As it is, with services inflation still sticky at this juncture and officials insisting that wage increase must retreat before cutting rate, we maintain our view that the ECB will start cutting rates in the June monetary policy meeting. In fact, ECB Governing Council members commented overnight that a June rate cut is possible. On the labour front, the unemployment rate held steady at 6.5% in February.

### Hong Kong's retail sales accelerated due to Lunar New Year, but below forecasts

- Retail sales in Hong Kong recorded a modest 1.9% y/y increase in February. Although below expectations, this was an uptick as compared to January's +0.9% y/y, boosted by seasonal effects due to the timing of the Lunar Year, continued growth in tourism and consumption. Strong demand for discretionary items like jewellery, watches and clocks, and valuable gifts; wearing apparels as well as medicines & cosmetics suggests that consumer sentiment towards spending remains positive going forward, with domestic spending supported by rising household consumption and Government's initiatives in boosting sentiment.
- To support tourism spending, the Government plans to stage more than 80 "mega events" to support the sector. Chinese cities of Xian and Qingdao also joined a travel scheme allowing residents to make personal visits to Hong Kong, rather than in tour groups. The scheme took effect from March 6, with a total of 51 Chinese cities whose residents are eligible to apply for individual travel.

### House View and Forecasts

FX	This Week	1Q-24	2Q-24	3Q-24	4Q-24
DX	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
4-April	AU Building Approvals MoM (Feb)	-1.00%
	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

5-April	JN Household Spending YoY (Feb)	-6.30%
	HK S&P Global Hong Kong PMI (Mar)	49.7
	AU Exports MoM (Feb)	1.60%
	SI Retail Sales YoY (Feb)	1.30%
	JN Leading Index CI (Feb P)	109.5
	MA Foreign Reserves	\$113.4b
	EC Retail Sales MoM (Feb)	0.10%
	US Change in Nonfarm Payrolls (Mar)	275k
	US Average Hourly Earnings MoM (Mar)	0.10%
	US Average Weekly Hours All Employees (Mar)	34.3
	US Consumer Credit (Feb)	\$19.495b

Source: Bloomberg

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