

5 February 2024

Global Markets Research

Daily Market Highlights

05 Feb: Stronger than expected payroll gains in the US

UST yields, DXY rose on pared rate cut bets; US equities gained on mega cap tech stocks
Gains in US NFP highest in a year; manufacturing employment rose for the third month
US factory orders slowed on aircraft; Singapore's PMI echoed region's improvement

- S&P 500 and Dow Jones rallied between 0.4-1.1% d/d notching fresh record highs as quarterly results from technology companies including Facebook-parent Meta topped forecasts while Nasdaq also climbed 1.7% d/d. Shares of Meta surged 20.3% d/d after the social-media giant's quarterly results topped estimates and announced it will pay a quarterly dividend for the first time a day earlier, while Amazon shares also popped 7.9% d/d on robust operating income and cloud. Elsewhere, Chevron shares rose but Exxon Mobil fell after the energy giants surpassed forecasts.
- European markets closed mixed while South Korea's stocks led gains in Asia as Wall Street rebounded from Fed-day sell-off. China's CSI 300, nonetheless, hit a new 5-year low.
- Treasury yields and USD rose as traders pared rate cut bets after the US jobs report came hotter-than-expected. Led by the shorter-tenure, UST yields rose between 10-17bps, and the 2- and 10Y- closing at 4.36% and 4.02% respectively. Led by UK gilts, 10Y European bond yields also increased between 2-17bps.
- DXY jumped 0.9% d/d to 103.92 in a broad rally, reaching as high as 104.04 during the day. Leading losses against USD were safe currencies like NOK, JPY and NZD. USD, nonetheless, closed mixed against regionals with MYR appreciating 0.3% d/d to 4.7170, but CNH and SGD depreciated by 0.4-0.5% d/d to 7.2147 and 1.3429 respectively.
- Oil prices extended their declines for the second day by 1.7-2.1% d/d as talks of a pause in the Israel-Hamas war reduced the geopolitical risk premium. Brent and WTI last settled at \$77.33 and \$72.28/ barrel respectively.

Gains in US NFP highest in a year; factory orders rose at a more moderate pace due to aircraft

- Echoing FOMC's statement, data on Friday suggests that economic activity and job gains in the US remained strong and significantly cut the probability of a Fed rate cut in March. Gains in nonfarm payrolls (NFP) unexpectedly rose by 353k in January (Dec: +333k, 2023: +255k), the most in a year while the two-month net revision was a hefty +126k. Unemployment rate held steady and low at 3.7% for the third month, while average hourly earnings topped estimates and accelerated to +0.6% m/m (Dec: +0.4% m/m). As it is, the latter is now 4.5% up over the past 12 months. The average workweek, nonetheless, fell 0.2 hour to 34.1 hours in January and is down by 0.5 hour over the year. By industry, job gains were led by the professional & business services, health care, retail trade and social assistance sectors, while employment in manufacturing climbed for the third month and by +23k, suggesting that the sector may be turning a corner.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	38,654.42	0.35
S&P 500	4,958.61	1.07
NASDAQ	15,628.95	1.74
Stoxx Eur 600	483.93	0.01
FTSE 100	7,615.54	-0.09
Nikkei 225	36,158.02	0.41
CSI 300	3,179.63	-1.18
Hang Seng	15,533.56	-0.21
Straits Times	3,179.77	1.17
KLCI 30	1,516.58	0.24
FX		
Dollar Index	103.92	0.85
EUR/USD	1.0788	-0.77
GBP/USD	1.2631	-0.89
USD/JPY	148.38	1.33
AUD/USD	0.6512	-0.91
USD/CNH	7.2147	0.37
USD/MYR	4.7170	-0.34
USD/SGD	1.3429	0.47
Commodities		
WTI (\$/bbl)	72.28	-2.09
Brent (\$/bbl)	77.33	-1.74
Gold (\$/oz)	2,036.10	-0.82
Copper (\$\$/MT)	8,482.00	-0.62
Aluminum(\$/MT)	2,233.50	-0.60
CPO (RM/tonne)	3,832.50	-3.43

Source: Bloomberg, HLBB Global Markets Research
 * Dated as of 30 Jan for CPO

- Matching expectations, factory orders also rose, albeit at a more moderate pace of +0.2% m/m in December (Nov: +2.6% m/m), but a pick up is likely in the months ahead as unfilled orders (unfilled orders-to-shipment ratio 7.08 vs 6.96) continued to pile up. Moreover, the slower growth was predominantly due to lower demand for civilian aircraft (+0.4% m/m vs +84.1% m/), while orders for motor vehicles, parts and trailers picked up (+0.9% m/m vs +0.1% m/m). Stripping the volatile transportation category, orders would have picked up by +0.4% m/m (Nov: +0.2% m/m), with orders increasing for primary metals, computers & electronic products as well as electrical equipment, appliances & components.
- The University of Michigan Sentiment was revised upwards by 0.2ppts to 79.0 in January (Dec: 69.7). This is the highest level since July 2021, reflecting improvements in the outlook for both personal incomes and inflation and bodes well for consumer spending going forward. For the latter, year-ahead inflation expectations eased to 2.9%, its lowest since December 2020 while long-run inflation expectations were unchanged at 2.9%.

Australia's PPI eased slightly q/q, new home loans unexpectedly fell

- Producer prices accelerated to +4.1% y/y in 4Q (3Q: +3.8% y/y) but on a q/q basis, prices eased to +0.9% q/q (3Q: +1.8% q/q) with moderate rises across most industries. As it is, skilled labour shortages and increases in margins continued to drive prices in the construction sector while high crude oil and energy prices in recent quarters are still spilling over to other industries. Separate data this morning, meanwhile, showed prices is expected to continued with its downward track in 2024. The Melbourne Institute inflation gauge eased to 4.6% y/y and +0.3% m/m in January (Dec: +5.2% y/y and +1.0% m/m).
- The total value of new loan commitments for housing, meanwhile, unexpectedly fell 4.1% y/y in December (Nov: -0.7% y/y) as the extra squeeze from elevated mortgage rates weighed on loan demand and home prices. While loans to both owner-occupier and investor loans retreated during the month, it should be noted that the proportion of loans to investors has been increasing steadily, rising from 27.3% in December 2019 to 35.5% currently. As it is, RBA is set to meet tomorrow and given the weaker housing data, consumer spending and easing price prints of late, RBA will most likely stay pat this time round.
- The final Judo Bank Australia Services PMI was revised upwards by 1.2ppts to 49.1 in January (Dec: 47.1), with only the information & communication and consumer services sectors reporting lower output during the month. Stabilising demand, supported by a shallower fall in export orders, drove the uptick during the month while overall sentiment also improved to a 5-month high.

Singapore PMI increased further in January, echoing region's improved factory activity

- PMI edged up again to 50.7 in January (Dec: 50.5()), marking the fifth consecutive month of expansion and the highest reading since December 2021. The electronics sector expanded for the third consecutive month and at a faster rate of 50.6 (Dec: 50.2). As it is, while local manufacturers face slower supplier deliveries due to disruptions in global supply chains, they are still cautiously optimistic on manufacturing growth this year.

House View and Forecasts

FX	This Week	1Q-24	2Q-24	3Q-24	4Q-24
DXY	102-104	101.84	101.33	100.82	100.32
EUR/USD	1.08-1.10	1.10	1.11	1.11	1.10
GBP/USD	1.26-1.28	1.28	1.29	1.29	1.27
USD/JPY	146-150	142	140	137	134
AUD/USD	0.65-0.67	0.68	0.68	0.69	0.70
USD/MYR	4.71-4.75	4.69	4.66	4.62	4.56
USD/SGD	1.33-1.35	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	-0.10	-0.10	0.00	0.00
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
05-Feb	AU Exports MoM (Dec)	1.70%
	HK S&P Global Hong Kong PMI (Jan)	51.3
	JN Jibun Bank Japan PMI Services (Jan F)	52.7
	SI S&P Global Singapore PMI (Jan)	55.7
	CH Caixin China PMI Services (Jan)	52.9
	SI Retail Sales YoY (Dec)	2.50%
	EC HCOB Eurozone Services PMI (Jan F)	48.4
	EC Sentix Investor Confidence (Feb)	-15.8
	UK S&P Global UK Services PMI (Jan F)	53.8
	EC PPI YoY (Dec)	-8.80%
	US S&P Global US Services PMI (Jan F)	52.9
	US ISM Services Index (Jan)	50.6
6-Feb	JN Labor Cash Earnings YoY (Dec)	0.20%
	JN Household Spending YoY (Dec)	-2.90%
	AU Retail Sales Ex Inflation QoQ (4Q)	0.20%
	AU RBA Cash Rate Target	4.35%
	EC ECB 1 Year CPI Expectations (Dec)	3.20%
	EC ECB 3 Year CPI Expectations (Dec)	2.20%
	EC Retail Sales YoY (Dec)	-1.10%

Source: Bloomberg

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