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Global Markets Research

Daily Market Highlights

5 April: All eyes on US non-farm payrolls tonight

US job cuts jumped and initial jobless claims rose; keeping rate cut bets intact

Higher oil prices and hawkish Kashkari's comments sent US equity markets lower

US treasury yields and DXY fell but off intraday lows; signs of flight to haven currencies

- The three US major stock indices took a sharp downturn late in the session as the spike in oil prices and fears the Federal Reserve could hold off on interest rate cuts dented investors' sentiment. The Dow logged its fourth consecutive losing day at -1.4% d/d, while S&P 500 and Nasdaq lost between 1.2-1.4% d/d. Minneapolis Fed President Neel Kashkari, who has pencilled in 2 rate cuts this year, said that he wondered if the central bank should cut rates at all if inflation remained sticky, adding to a recent chorus of Fed speakers talking conservatively about the policy rate.
- European markets closed slightly higher, with basic resources leading gains as copper prices advanced, while car makers and banks also outperformed. Japan led the rebound in Asia post Powell's comments, but is expected to be under pressure today given the higher oil prices overnight and before the non-farm payroll numbers. Hong Kong and China markets were closed for a public holiday.
- Treasury yields rose off their lows on Kashkari's comments, but still closed down between 2-4bps across the curve. The 2Y fell 3bps to 4.65%, and the 10Y slid 4bps to 4.31%. Led by Italian sovereign bonds, 10Y European bond yields fell between 3-11bps.
- In the forex market, the Middle East tensions saw some haven buying. Although DXY closed down 0.1% d/d to 104.12, this came after falling as much as 0.3% to 103.92 during the day. G10 currencies mostly strengthened against greenback save for the GBP, CAD and NOK, while regional currencies closed mixed. The JPY strengthened 0.2% d/d to 151.34 after BOJ Kazuo Ueda commented that policy makers need more certainty on achieving the inflation target. MYR also strengthened 0.3% d/d to 4.7402.
- Crude oil prices extended its rally by another 1.4.1.5% d/d, with Brent closing above \$90/barrel backed by OPEC+ output cuts, solid demand and as the tension in Middle East tension escalates further. Accordingly, Israeli Prime Minister Benjamin Netanyahu said at a security cabinet meeting that his country will work against Iran and its proxies.

US job cuts jumped on cost cutting and restructuring; initial jobless claims rose more than expected – keeping rate cut expectations alive

- Although the labour market has remained resilient, layoffs certainly are on the rise. The Challenger, Gray & Christmas, Inc. reported that US-based employers announced 90.3k job cuts in March, a +6.7% m/m jump and 0.7% y/y higher (Feb: +2.8% m/m and +8.8% y/y). While the technology sector continues to lead in terms of job cuts, several industries, including energy and industrial manufacturing are cutting more jobs this year than last. Data also showed that the leading reason for job cuts in 1Q was cost-cutting,

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	38,596.98	-1.35
S&P 500	5,147.21	-1.23
NASDAQ	16,049.08	-1.40
Stoxx Eur 600	510.84	0.16
FTSE 100	7,975.89	0.48
Nikkei 225	39,773.14	0.81
CSI 300	3,567.80	-0.36
Hang Seng	16,725.10	-1.22
Straits Times	3,235.01	0.38
KLCI 30	1,553.24	1.06
FX		
Dollar Index	104.12	-0.12
EUR/USD	1.0837	0.01
GBP/USD	1.2642	-0.08
USD/JPY	151.34	-0.24
AUD/USD	0.6588	0.35
USD/CNH	7.2492	0.01
USD/MYR	4.7402	-0.33
USD/SGD	1.3485	0.03
Commodities		
WTI (\$/bbl)	86.59	1.36
Brent (\$/bbl)	90.65	1.45
Gold (\$/oz)	2,288.80	-0.24
Copper (\$\$/MT)	9,359.00	1.04
Aluminum(\$/MT)	2,444.50	0.64
CPO (RM/tonne)	4,527.50	2.93

Source: Bloomberg, HLBB Global Markets Research
* Dated as of 3 April for CPO, Hang Seng, CSI 300

followed by restructuring. Mirroring this, jobless claims also rose more than expected by 9k to 221k for the week ended March 30 (Mar 23: 0), its highest since January while continuing claims fell 19k to 1791k the week prior (Mar 16: +15k).

- Trade deficit widened more than expected to \$68.9bn in February (Jan: - \$67.6bn) as US economic resilience continued to support domestic consumption and imports. Thus, with the trade deficit at its largest in a year, this will provide a limited boost to 1Q GDP. Imports expanded by 2.2% m/m, while exports gained 2.3% m/m (Jan: +1.2% m/m and +0.1% m/m), the former driven by consumer goods; food & beverages; automotive vehicles, parts & engines as well as travel.

Expansionary S&P Services PMIs for the European region; upward revision for the UK

- The final Eurozone Services PMI was left unchanged at 51.5 in March (Feb: 50.2). As it is, the service sector appears to gradually find its footing and stability as new business resumes growth after an 8-month dry spell. This positive trend is expected to sustain going forward, supported by wage growth outpacing inflation and a robust employment market.
- The final reading of the UK Services PMI was revised down by 0.3ppts to 53.1 in March (Feb: 53.8) and to the lowest since November. This suggests a loss in momentum due to weaker rise in new work, as squeezed disposable household incomes and elevated interest rates continued to weigh on demand.

Eurozone's PPI fell 8.3% y/y and 1.0% m/m

- The contraction in producer prices (PPI) widened to 8.3% y/y and 1.0% m/m in March (Feb: -8.0% y/y and -0.9% m/m). The wider decline on a m/m basis was due to bigger falls in energy prices as well as a moderation in capital goods, but with higher energy prices recently, this could potentially disrupt the disinflationary trend.

UK's 1Y CPI expectations eased to 3.2%; supporting rate cut expectations

- DMP's 1Y ahead CPI inflation expectations declined further to 3.2% in March (Feb: 3.3%). This suggests that UK companies expect companies to raise their own prices by the least in almost 2.5 years. Companies also expect wage growth to ease to 4.9%, the first time below 5% in almost 2 years, a long-awaited easing that will alleviate concerns that soaring pay may keep feeding into inflationary pressure.

Dwelling approvals fell in Australia despite growth in private house

- The total number of dwellings approved unexpectedly fell 1.9% m/m in February (Jan: -2.5% m/m) but this was mainly driven by a fall in the number of approved large apartment projects. Approvals for private houses rose 10.7% m/m, a rebound from -9.9% m/m previously.

Japan's household spending fell at a narrower pace

- Japanese households continued to cut back on spending in February, as sticky inflation weighed on discretionary consumption as well as on the back of lower utility costs. Spending fell 0.5% y/y, sliding for the 12th month, but was lower than expected and narrower than January's -6.3% y/y. Spending was also up 1.4% m/m and is expected to be on an upward trajectory for the rest of the year after workers negotiated a large pay gain this fiscal year.

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
5-April	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
8-April	JN Labor Cash Earnings YoY (Feb)	2.00%
	AU Home Loans Value MoM (Feb)	-3.90%
	MA Manufacturing Sales Value YoY (Feb)	3.20%
	MA Industrial Production YoY (Feb)	4.30%
	JN Eco Watchers Survey Outlook SA (Mar)	53
	EC Sentix Investor Confidence (Apr)	-10.5
8-12 April	US NY Fed 1-Yr Inflation Expectations (Mar)	3.04%
	SI Singapore MAS April 2024 Monetary Policy Statement SI GDP YoY (1Q A)	2.20%

Source: Bloomberg

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@hlbb.hongleong.com.my

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