

5 June 2024

Global Markets Research

Daily Market Highlights

5 June: Cautious stance ahead of US nonfarm job data

UST yields and DXY slid after the weaker than expected JOLTS job openings at a 3-year low
JPY strengthened amidst expectations that BOJ will hike in 2H; cash earnings jumped
Malaysia's S&P PMI closed above 50; MYR strengthened slightly against USD

- The S&P 500 staged a midday reversal and eked out a marginal gain of 0.2% d/d, in an uneven start to the month. The 30-stock Dow also gained 0.4% d/d, while Nasdaq added 0.2% d/d as Wall Street largely remained cautious and focused on the crucial non-farm payroll report due this Friday, while the slide in oil prices also dampened appetite for oil majors like Exxon Mobil. Data overnight meanwhile, showed that jobs opening in the US slid to its lowest in three years. Elsewhere, meme stocks remained in focus with Gamestop shares pulling back 5.4% d/d from its big rally earlier in the week.
- European stocks closed lower, with major bourses and most sectors in the red and oil majors and banking stocks the biggest laggards. Asian stocks closed mixed, with the India stock market leading the decline as the country counted votes for its 2024 general election. As it is. Prime Minister Narendra Modi will serve a third term in office even as the BJP party lost its majority in shock election result
- Treasury yields were notably lower on concerns over the US economic outlook after the fall in job openings data and following the decline in manufacturing ISM index reported earlier in the week. The 2Y fell 4bps to 4.77%, while the 10Y slid 6bps to 4.33%. Led by Norwegian bonds, 10Y European bond yields also fell 1-8bps.
- DXY closed little changed at 104.11 as the USD strengthened against most of its G10 peers save for the CHF and JPY. JPY appreciated by 0.8% d/d to 154.88 against the greenback after BOJ's official comments about the weak yen impacting its imports and earlier reports that the central bank is considering trimming the amount of bond purchases at its June meeting. The Dollar nonetheless, weakened against most regional currencies save for the SGD, PHP and INR. MYR appreciated slightly by 0.1% d/d to 4.7017 against the Dollar.
- Oil slid another 1.1-1.3% d/d after OPEC+'s unexpected plan to unwind its output cut deepened bearish sentiment for the commodity. Dampening sentiment over the past weeks were persistent demand concerns and over supplies from outside the cartel, as well as receding geopolitical risks.

Malaysia's S&P PMI closed above 50; Australia's Services PMI revised downwards but still expansionary

- The final Judo Bank Australia Services PMI was revised down 0.6ppts to 52.5 in May (Apr: 53.6). This marks the fourth monthly expansion but the slowest for this cycle. That said, the new business index rose at its fastest pace in 2 years, sentiment about future activity improved, staffing levels quickened to its fastest pace in 8 months and price pressures intensified, suggesting that this sector will hold up going forward. By sector, the transport & storage firms led growth during the month

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	38,711.29	0.36
S&P 500	5,291.34	0.15
NASDAQ	16,857.05	0.17
Stoxx Eur 600	517.05	-0.54
FTSE 100	8,232.04	-0.37
Nikkei 225	38,837.46	-0.22
CSI 300	3,615.67	0.75
Hang Seng	18,444.11	0.22
Straits Times	3,338.94	-0.30
KLCI 30	1,615.40	1.17
FX		
Dollar Index	104.11	-0.03
EUR/USD	1.0879	-0.23
GBP/USD	1.2770	-0.30
USD/JPY	154.88	-0.77
AUD/USD	0.6649	-0.60
USD/CNH	7.2475	-0.06
USD/MYR	4.7017	-0.10
USD/SGD	1.3467	0.06
Commodities		
WTI (\$/bbl)	73.25	-1.31
Brent (\$/bbl)	77.52	-1.07
Gold (\$/oz)	2,325.50	-0.90
Copper (\$\$/MT)	9,945.00	-1.95
Aluminum(\$/MT)	2,663.50	0.08
CPO (RM/tonne)	4,060.00	2.07

Source: Bloomberg, HLBB Global Markets Research

* Dated as of 31 May for CPO

- The S&P Global Malaysia Manufacturing PMI rose to 50.2 in May (Apr: 49.0) following months of contraction. This suggests a turnaround from a period of subdued growth and hints at an acceleration in 2Q. Growth was supported by renewed growth in new business, albeit marginal, and production. Job creation also improved because of this, while inflation for input and output prices both increased but remained subdued compared to their historical averages.

Job opening in the US fell to its 3-year low, factory orders rose for the third month

- The downside surprise in JOLTS job openings is a further sign that the labour market is moving into more balanced and with quits rate low, these should help to contain wage pressure going forward. Total job openings fell sharper than expected to 8.06m in April (Mar: 8.36m) and consequently, the ratio of vacancies to unemployed persons, a gauge of market tightness, fell to 1.24 (Mar: 1.30), its lowest since June 2021. The pullback was fairly broad-based, with vacancies in healthcare as well as accommodation & food services leading the decline, the latter could be partially attributable to California's minimum wage requirement which kicked in during the month. Despite the decline in job openings, layoffs remain historically low, while quit rate held steady at 2.2%, still lower than the pre-COVID 19 level.
- Factory orders increased for a third straight month in April and overshoot expectations at 0.7% m/m (Mar: 0.7% m/m). While orders were partially boosted by demand for the volatile transportation equipment, stripping this, orders still picked up to 0.7% (Mar: 0.4% m/m) driven by demand for primary metal, machinery as well as electronics & electrical sectors. Nonetheless, with the latest ISM contracting for the second month and the manufacturing sector still constrained by elevated interest rates, this suggests a potential softening in orders going forwards.

Jump in Japan's cash earnings in line with wage hike deal

- Data this morning showed that base pay jumped 2.3% y/y in April, driving up nominal cash earning accelerating more than expected to 2.1% y/y for the same month (Mar: 1.7% y/y and +1.0% y/y). The uptick largely reflects the gradual impact from the biggest wage deal between corporates and the union since 1994 and offers fresh evidence linking rising wages and demand-pull inflation going forward. With this, the OIS is pricing in another 10bps rate hike in the September monetary policy meeting

House View and Forecasts

FX	This Week	2Q-24	3Q-24	4Q-24	1Q-25
DXY	103-107	105.43	105.56	103.45	101.38
EUR/USD	1.06-1.10	1.06	1.05	1.06	1.06
GBP/USD	1.25-1.29	1.24	1.22	1.23	1.24
USD/JPY	154-159	152	149	146	143
AUD/USD	0.64-0.68	0.65	0.65	0.65	0.66
USD/MYR	4.67-4.73	4.73	4.68	4.64	4.57
USD/SGD	1.33-1.37	1.35	1.35	1.34	1.33

Rates, %	Current	2Q-24	3Q-24	4Q-24	1Q-25
Fed	5.25-5.50	5.25-5.50	5.25-5.50	5.00-5.25	4.50-4.75
ECB	4.50	4.25	3.75	3.50	3.50
BOE	5.25	5.25	4.75	4.50	4.50
BOJ	0 - 0.10	0 - 0.10	0 - 0.10	0 - 0.10	0 - 0.10
RBA	4.35	4.35	4.35	4.10	4.10

BNM	3.00	3.00	3.00	3.00	3.00
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Source: HLBB Global Markets Research

Up Next

Date	Events	Prior
5-June	HK S&P Global Hong Kong PMI (May)	50.6
	JN Jibun Bank Japan PMI Services (May F)	53.6
	SI S&P Global Singapore PMI (May)	52.6
	AU GDP SA QoQ (1Q)	0.20%
	CH Caixin China PMI Services (May)	52.5
	SI Retail Sales YoY (Apr)	2.70%
	EC HCOB Eurozone Services PMI (May F)	53.3
	UK S&P Global UK Services PMI (May F)	52.9
	EC PPI YoY (Apr)	-7.80%
	US MBA Mortgage Applications	-5.70%
	US ADP Employment Change (May)	192k
	US S&P Global US Services PMI (May F)	54.8
	US ISM Services Index (May)	49.4
6-June	AU Home Loans Value MoM (Apr)	3.10%
	AU Exports MoM (Apr)	0.10%
	UK DMP 1 Year CPI Expectations (May)	2.90%
	EC Retail Sales MoM (Apr)	0.80%
	US Challenger Job Cuts YoY (May)	-3.30%
	EC ECB Main Refinancing Rate	4.50%
	US Trade Balance (Apr)	-\$69.4b
	US Initial Jobless Claims	220k

Source: Bloomberg

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