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Global Markets Research

Daily Market Highlights

6 March: China targets GDP growth of around 5% in 2024

CSI 300 hit 3-month high; CNH closed flattish as markets shrugged off growth pledge

US equity indices fell as tech giants led by Apple tumbled; looming Powell's testimony

UST yields, DXY slipped after the weaker-than-expected ISM services

- The three major indices traded lower between 1.0-1.7% d/d as tech heavyweights led by Apple came under pressure, weighed down further by a slew of weaker-than-expected economic prints and cautiousness in the run-up to Jerome Powell's testimony to Congress. Amongst the 11 S&P 500 sectors, defensive stocks like consumer staples outperformed while technology and communication sectors were the laggards. Apple shares slipped 2.8% d/d on the back of a report from Counterpoint Research that found iPhone sales in China plunging in the first six weeks of 2024. Target, was nonetheless a big winner with a 12.0% d/d gain on earnings beat.
- European stocks also closed mostly lower as markets struggled to find positive momentum ahead of the ECB meeting later this week. Stoxx 600 closed down 0.2% d/d, with the vast majority of sectors finishing in the red. Mining and technology stocks sank, while utilities and insurance outperformed. FTSE 100, on the other hand, added 0.1% d/d. Asian markets closed mixed, with China stocks hitting its 3-month high after Beijing set a GDP growth target of 5% this year. Today, equity futures benchmarks suggest that regional markets are set for a mixed open, with sentiment largely weighed down by the US tech slide.
- Weaker than expected ISM-Services and factory orders underpinned the rally in the Treasury market, sending yields down 4-6bps across the curve. The 2Y closed at 4.56% and the 10Y at 4.15%. Led by UK gilts, 10Y European bond yields slid between 7-11bps.
- DXY wobbled after reports that the US services sector cooled, slumping to as low as 103.58 before clawing back some of its losses to close just below that flatline at 103.80, its third straight session below the 104-handle. G10 and regional currencies closed mixed against the greenback. European currencies were little changed, appreciating by 0.1% d/d and less each against USD, while in Asia, JPY led gains at +0.3% d/d. MYR led losses at 0.3% d/d to close at 4.7352, while CNH closed flattish at 7.2121 as markets largely view China's 5% growth target as bullish and lacked detailed plans to boost the property market and consumer spending.
- Oil prices fell 0.8-0.9% d/d as markets largely shrugged off China growth pledge as well as OPEC+ production cuts.

Mostly upward revisions in S&P Services PMIs, all expansionary for the majors; Caixin China Services PMI unexpectedly retreated

- The final Services PMI for US was revised upwards by 1.0ppt to 52.3 in February (Jan: 52.5), with the financial services sector cooling due to the recent pull-back in rate cut expectations, while demand for consumer goods and services picking up amid the easing of the cost of living and healthy

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	38,585.19	-1.04
S&P 500	5,078.65	-1.02
NASDAQ	15,939.59	-1.65
Stoxx Eur 600	496.27	-0.23
FTSE 100	7,646.16	0.08
Nikkei 225	40,097.63	-0.03
CSI 300	3,565.51	0.70
Hang Seng	16,162.64	-2.61
Straits Times	3,107.10	-0.48
KLCI 30	1,536.98	-0.15
FX		
Dollar Index	103.80	-0.03
EUR/USD	1.0857	0.01
GBP/USD	1.2705	0.10
USD/JPY	150.05	-0.32
AUD/USD	0.6503	-0.11
USD/CNH	7.2121	0.03
USD/MYR	4.7352	0.27
USD/SGD	1.3428	-0.04
Commodities		
WTI ($/bbl)	78.15	-0.75
Brent ($/bbl)	82.04	-0.92
Gold ($/oz)	2,141.90	0.73
Copper ($$/MT)	8,491.50	-0.60
Aluminum($/MT)	2,228.50	-0.25
CPO (RM/tonne)	4,029.00	0.10

Source: Bloomberg, HLBB Global Markets Research
** Dated as of 4 March for CPO*

labor market, the latter suggesting that consumers will remain the forefront of the economic expansion. More concerning is indications of demand-pull inflation as evident by selling prices rising at a faster pace despite easing cost pressure.

- The final Eurozone Services PMI was revised upwards by 0.2ppts to 50.2 in February (Jan: 48.4). The expansion in activity, its first since last July, coincided with a stabilisation in demand and a stronger uplift in employment to its 8-month high. The rate of increase in costs also edged up to a 9-month high and was well above its long-term average. Similarly, prices charged rose at a sharp and accelerated pace. Looking ahead, eurozone service providers were optimistic regarding business activity prospects over the coming 12 months.
- The final UK Services PMI was revised downwards by 0.5ppts to 53.8 (Jan: 54.3). Nonetheless, the index has stayed above the 50 for 4 months, suggesting a sustained rebound for the sector. New business intakes were a particularly bright spot as providers reported the fastest order book growth since May 2023.
- The final au Jibun Bank Japan Services PMI was revised upwards by 0.4ppts to 52.9 in February (Jan: 53.1). The rate of growth in new business accelerated to a six-month high and service providers raised staffing levels at a solid rate. Firms also often noted improved business conditions and new product launches, with notable strength recorded in the tourism sector. The services sector is set to carry this positive momentum into the coming months, as the level of outstanding business, usually a bellwether for near-term activity, rose at the strongest pace since last June.
- The Caixin China Services PMI unexpectedly retreated to 52.5 in February (Jan: 52.7), its softest rate of expansion since last November and below the long-run series average. Of note, uptick in new orders was muted, staff numbers fell for the first time in three months and stronger rise in costs led to fresh increase in output prices. On a positive note, some surveyed companies indicated expansion plans, which showed they were confident there will be a further improvement in demand.
- The Singapore PMI rose to 56.8 in February (Jan: 54.7), its quickest pace since October 2022. The index was supported by faster growth in new business and output, as well as a record rise in employment levels. However, supply constraints worsened as lead times lengthened, sending output price inflation rising to a 13-month high.
- The Hong Kong PMI edged down slightly to 49.7 in February (Jan: 49.9), the second consecutive month of deteriorating business conditions. Incoming new business fell, leading to pessimism among firms. Margin pressures were also observed as a quicker rise in costs contrasted with the softest increase in output prices in two years. One bright spot was that hiring renewed, albeit only marginally.

US ISM-Services cooled; factory orders fell more than expected

- Factory orders fell more than expected by 3.6% m/m in January (Dec: -0.3% m/m), pulled down by a sharp decline in bookings for commercial aircraft. Orders for the latter sank 58.9% m/m due to fewer contracts for Boeing passenger planes but stripping the volatile transport component, orders also worsened to -0.8% m/m (Dec: -0.3% m/m). Weaknesses were observed across most categories except for computers and electronics products, signalling a bumpy recovery ahead for the sector. Orders for computers and electronic products shot up 1.3% m/m (Jan: +0.1% m/m), an offshoot of

Biden subsidies for advanced chips and the AI revolution.

- The ISM Services Index cooled more than expected to 52.6 in February (Jan: 53.4) primarily due to faster supplier deliveries and the contraction in the employment Index, the latter suggesting a possible slowdown for the sector ahead. The new orders index, meanwhile, strengthened to 56.1 (Jan: 55.0), while prices paid eased to 58.6 (Jan: 64.0). 14 industries reported growth during the month, led by construction and retail trade, and the majority of respondents also remained mostly positive about business conditions but concerned about inflation, employment and ongoing geopolitical conflicts.

Eurozone's PPI fell more than expected on energy

- Industrial producer prices (PPI) fell at a larger pace than expected by 0.9% m/m in January (Dec: -0.9% m/m), mainly led by a sharper decline in prices for energy (-2.9% m/m vs -2.3% m/m). Stripping this, prices would have increased by +0.2% m/m (Dec: -0.1% m/m), led by higher prices for capital goods and non-durable consumer goods. With input costs largely contained, this will give leeway for ECB to maintain all its policy rates unchanged this week.

China expects the economy to grow by around 5.0% in 2024

- Key highlights from the latest National People's Congress (NPC) meeting include: 1) As widely expected, China is setting its target growth at around 5.0% for 2024 (2023: +5.2%). In the accompanying speech, the authorities also said that monetary policy will be "flexible, appropriate, targeted and effective" and that the government will enhance the intensity of its proactive fiscal policy and improve its quality and effectiveness. 2) China's budget deficit is projected to narrow to 3.0% of GDP from 3.8% in 2023. As it is, China has long tried to keep its official deficit around or under 3% of GDP to executive fiscal discipline and control risks. Of note, China has allocated a 7.2% increase in defense spending. 3) China plans to sell 1tn yuan of ultra-long special government bonds, the fourth such sale in the past 26 years to shore up the economy. 4) The government is also targeting an unemployment rate of around 5.5% this year and aims to add 12m urban jobs. 5) Its CPI forecasts of around 3.0% for 2024 appeared to be bullish considering that the economy is still struggling with deflationary pressures.

Singapore's retail sales up 1.3% y/y, reversing December's decline

- Retail sales undershot expectations but rebounded to +1.3% y/y in January (Dec: -0.5% y/y). The increase was predominantly led by a 37.3% y/y jump in motor vehicle sales due to higher COE quota, and stripping this, sales would have contracted by 2.1% y/y (Dec: -2.8% y/y). Sales fell across half of the sub-categories, and notable for the food and beverages sector (-5.6% y/y). This was partly due to the timing of Chinese New Year and as such, sales are expected to pick-up in February before strengthening further in March due to "Swiftonomics."

House View and Forecasts

FX	This Week	1Q-24	2Q-24	3Q-24	4Q-24
DXY	102-105	101.84	101.33	100.82	100.32
EUR/USD	1.07-1.10	1.10	1.11	1.11	1.10
GBP/USD	1.25-1.28	1.28	1.29	1.29	1.27
USD/JPY	147-151	142	140	137	134
AUD/USD	0.64-0.67	0.68	0.68	0.69	0.70
USD/MYR	4.70-4.77	4.69	4.66	4.62	4.56

USD/SGD	1.33-1.36	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
6-March	AU GDP SA QoQ (4Q)	0.20%
	EC Retail Sales MoM (Jan)	-1.10%
	US MBA Mortgage Applications	-5.60%
	US ADP Employment Change (Feb)	107k
	US JOLTS Job Openings (Jan)	9026k
7-March	US Federal Reserve Releases Beige Book	
	JN Labor Cash Earnings YoY (Jan)	1.00%
	AU Exports MoM (Jan)	1.80%
	AU Home Loans Value MoM (Jan)	-4.10%
	MA BNM Overnight Policy Rate	3.00%
	UK DMP 1 Year CPI Expectations (Feb)	3.40%
	US Challenger Job Cuts YoY (Feb)	-20.00%
	EC ECB Main Refinancing Rate	4.50%
	US Trade Balance (Jan)	-$62.2b
	US Nonfarm Productivity (4Q F)	3.20%
	US Unit Labor Costs (4Q F)	0.50%
	US Initial Jobless Claims	215k
	CH Exports YTD YoY (Feb)	-

Source: Bloomberg

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