

7 February 2024

## Global Markets Research

### Daily Market Highlights

## 07 Feb: AUD gained on RBA's hawkish tilt

**RBA does not rule out further rate hikes; expects CPI to decline to 2-3% target in 2025**  
**US equity markets rebounded; DXY fell amid pullback in UST yields but stayed above 104s**  
**Fed speaks echoed Powell's guidance on no rush to cut interest rates**

- The US equity markets rebounded between 0.1-0.4% d/d, with all three indices oscillating around the flatline throughout the day as Wall Street assessed the latest batch of corporate earnings and the timeline for rate cuts from the Federal Reserve. As it is, speeches from Fed officials continued to echo Jerome Powell's signal that the central bank is in no rush to ease policy. Fed Bank of Cleveland President Loretta Mester said that policy makers will probably gain confidence to cut rates "later this year." while Neel Kashkari said that more progress is needed on the substantial improvement in inflation. In corporate highlights, Ford beat expectations soundly and forecasts higher profits in 2024, but Snap Inc reported disappointing revenue in the holiday quarter.
- European stocks gained, with energy stocks outperforming as BP rallied on earnings beat and accelerating share buyback but UBS slipped. In Asia, CSI 300 and Hang Seng surged more than 3% d/d each amid measures to prop up its equity markets.
- Led by the short-end, Treasury yields fell in tune to 4-7bps across the curve, with the 2Y and 10Y closing at 4.40% and 4.10% respectively. 10Y European bond yields also declined 2-6bps, save the Swedish sovereign bonds.
- DXY retreated 0.2% d/d to 104.21, weakening against all its G10 peers and most regional currencies save for the MYR (-0.4% d/d to 4.7677), IDR and HKD. European currencies strengthened in tune to 0.1-0.5% d/d, with EUR supported by the unexpected jump in Germany's factory orders. AUD appreciated 0.6% d/d after the RBA left rates unchanged and kept rate hike expectations alive. JPY, meanwhile, strengthened 0.5% d/d despite its household spending and cash earnings data disappointed.
- Oil prices gained 0.7-0.8% d/d in range bound trade amidst Red Sea risks. In a news update, the Energy Information Administration (EIA) expects production to flatline this year, easing glut worries. As it is, crude output in the US is set at 13.3m bpd in December before pulling back to 12.6m bpd in January due to the winter storm. Domestic production will briefly return 13.3m bpd in February but then decline through the middle of the year.

#### RBA maintained cash rate at 4.35%, said that further increase in interest rates cannot be ruled out

- As widely expected, the Reserve Bank of Australia (RBA) maintained the cash rate target unchanged at 4.35%. Key highlights from the statement includes: 1) The statement was slightly more hawkish than expected, with the central bank not ruling out further increase in interest rates to ensure that inflation returns to target in a reasonable timeframe. 2) While inflation is easing, RBA reiterates that it remains high and expects inflation to decline to the 2-3%

#### Key Market Metrics

	Level	d/d (%)
<b>Equities</b>		
Dow Jones	38,521.36	0.37
S&P 500	4,954.23	0.23
NASDAQ	15,609.00	0.07
Stoxx Eur 600	486.76	0.63
FTSE 100	7,681.01	0.90
Nikkei 225	36,160.66	-0.53
CSI 300	3,311.69	3.48
Hang Seng	16,136.87	4.04
Straits Times	3,125.68	-0.27
KLCI 30	1,512.98	0.11
<b>FX</b>		
Dollar Index	104.21	-0.23
EUR/USD	1.0755	0.11
GBP/USD	1.2598	0.49
USD/JPY	147.94	-0.50
AUD/USD	0.6523	0.62
USD/CNH	7.2014	-0.26
USD/MYR	4.7677	0.39
USD/SGD	1.3442	-0.22
<b>Commodities</b>		
WTI (\$/bbl)	73.31	0.73
Brent (\$/bbl)	78.59	0.77
Gold (\$/oz)	2,034.50	0.43
Copper (\$\$/MT)	8,402.00	0.51
Aluminum(\$/MT)	2,230.50	0.81
CPO (RM/tonne)	3,832.50	0.86

Source: Bloomberg, HLBB Global Markets Research  
 \* Dated as of 5 Feb for CPO

target range in 2025, reaching the midpoint in 2026. 3) Labour market conditions are expected to continue to ease, broadly consistent with sustained full employment. 4) Growth is expected to remain low over the next year. In this regard, consumption growth is expected to bounce back to pre-pandemic levels over the next couple of years as inflation eases and real incomes start to rise. RBA is also expecting year-average GDP growth of 2.0%, 1.5% (-0.3ppts) and 2.2% for 2023, 2024 and 2025 respectively.

- Separately, retail sales excluding inflation unexpectedly accelerated to +0.3% q/q in 4Q (3Q: Downwardly revised -0.1% m/m), marking its first quarterly expansion since 1Q of 2023. Sales were supported by lower price growth for retail goods as consumers particularly took advantage of discounts for discretionary items like furniture and electronic goods. Nonetheless, removing the effects of strong population and price growth, sales volumes per person have fallen every quarter since reaching a peak in June 2022, although they remain above pre-pandemic levels.

#### **Eurozone posted weak retail sales data, mixed inflation expectations**

- Weak retail sales and softer year-ahead inflation expectations data reaffirms expectations that policy rates have peaked but it is still too soon to lower the policy rates at this juncture. In particular, officials have repeatedly said that they want more evidence that inflation is on track to their 2% target before lowering the policy rates, and will be looking out for wage data going forward for signs of wage-driven inflation. The 1Y ECB's inflation expectations declined to 3.2% in December (Nov: 3.5%), its lowest since February 2022 but the 3Y increased slightly to 2.5% (Dec: 2.4%). Retail sales, meanwhile, fell more than expected to -1.1% m/m in December (Nov: +0.3% m/m), weighed down by demand from Slovenia, Denmark and Luxembourg.

#### **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	146-150	142	140	137	134
AUD/USD	0.64-0.67	0.68	0.68	0.69	0.70
USD/MYR	4.71-4.78	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
7-Feb	MA Manufacturing Sales Value YoY (Dec)	-2.60%
	MA Industrial Production YoY (Dec)	0.60%
	JN Leading Index CI (Dec P)	107.6
	US MBA Mortgage Applications	-7.20%
	US Trade Balance (Dec)	-\$63.2b
8-Feb	US Consumer Credit (Dec)	\$23.751b
	JN Bank Lending Incl Trusts YoY (Jan)	3.10%
	CH PPI YoY (Jan)	-2.70%

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CH CPI YoY (Jan)	-0.30%
JN Eco Watchers Survey Outlook SA (Jan)	49.1
US Initial Jobless Claims	224k

Source: Bloomberg

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