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Global Markets Research

Daily Market Highlights

7 March: All eyes on ECB and BNM today

US equities and bonds rose after Powell reaffirmed rate cut path; DXY closed lower

US jobs data remained solid although less tight; mortgage applications rebounded

Australia's GDP eased slightly in 4Q; Japan saw strongest wage growth since June

- Wall Street rebounded on Wednesday after Fed Chair Jerome Powell, in his testimony to the Congress, reiterated that he still expects rate cuts to come this year but the Fed needs more confidence that inflation will progress toward its 2% inflation before they do so. Led by Nasdaq, all the three major indices closed up between 0.2-0.6% d/d, with all sectors within S&P 500 gaining except for communication and services as well as consumer discretionary. Shares of New York Community Bancorp also rebounded after raising \$1bn in equity to shore up investors' confidence, while in Fed speak, President Neel Kashkari said that he expects Fed to cut rates twice this year, or potentially just once and will be guided by incoming CPI prints.
- Similarly, European markets also closed higher, with the Stoxx 600 gaining 0.4% d/d led by technology stocks while the media sector was laggard. In the UK, FTSE 100 rallied 0.4% d/d after its Chancellor of the Exchequer Jeremy Hunt presented its Spring budget, with announcements on the abolition of non-domiciled tax status, a reduction in National Insurance and the launch of the British ISA with an extra £5k allowance for UK equities. Asian markets closed mixed, with Hang Seng leading gains at +1.7% d/d, while CSI 300 slid 0.4% d/d following the tech slide in Wall Street the previous day. As it is, equity futures suggest that Asian equities are set to echo US rise today.
- Treasuries extended their gains, sending yields down between 0-6bps across the curve after some softer but still solid employment data. The 2Y yield fell less than 1bps to 4.55% while the 10Y slid 5bps to 4.10%. With the exception of Swedish and Norwegian bonds, 10Y European bond yields fell between 0-6bps.
- Tracking Treasury yields, DXY closed lower at 103.37 (-0.4% d/d) on expectations that the Fed will be cutting rates this year and amidst the less tight US jobs data. AUD led G10 gains against greenback at +0.9% d/d amidst higher metal and crude oil prices, while European currencies strengthened between 0.2-0.8% d/d. Most regional currencies also appreciated against the USD.
- Oil climbed 1.1-1.3% d/d on signs of growing US fuel demand heading into the summer driving season as well as on shrinking US diesel inventory (-4.46m last week). In addition, Aramco reportedly raised its flagship Arab Light prices for buyers in Asia.

US jobs data remained solid although less tight; mortgage applications rebounded

- Key highlights from the latest Beige Book: 1) Economic activity increased slightly despite consumer spending, particularly on retail goods, inching down as consumers were price sensitive and started to shift spending away from

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	38,661.05	0.20
S&P 500	5,104.76	0.51
NASDAQ	16,031.54	0.58
Stoxx Eur 600	498.21	0.39
FTSE 100	7,679.31	0.43
Nikkei 225	40,090.78	-0.02
CSI 300	3,551.05	-0.41
Hang Seng	16,438.09	1.70
Straits Times	3,136.14	0.93
KLCI 30	1,531.51	-0.36
FX		
Dollar Index	103.37	-0.41
EUR/USD	1.0899	0.39
GBP/USD	1.2731	0.20
USD/JPY	149.38	-0.45
AUD/USD	0.6564	0.94
USD/CNH	7.2100	-0.03
USD/MYR	4.7323	-0.06
USD/SGD	1.3388	-0.30
Commodities		
WTI (\$/bbl)	79.13	1.25
Brent (\$/bbl)	82.96	1.12
Gold (\$/oz)	2,158.20	0.76
Copper (\$\$/MT)	8,577.00	1.01
Aluminum(\$/MT)	2,235.00	0.29
CPO (RM/tonne)	4,045.00	0.40

Source: Bloomberg, HLBB Global Markets Research

* Dated as of 5 March for CPO

discretionary goods. 2) In the services sector, while air travel was robust, demand for restaurants and hotels softened due to elevated prices and unusual weather conditions. 3) Manufacturing activity was largely unchanged and shipping disruptions in the Red Sea and Panama Canal did not have a notable impact on businesses. 4) Several districts reported a pickup in demand for residential real estate and demand for commercial real estate for new data centers, industrial and manufacturing spaces as well as for large infrastructure projects. 5) Loan demand was stable to down, while credit quality was healthy despite a few districts reporting rising delinquencies.

- US job opening and job gains data remained solid and doesn't tip the scales in terms of the Fed rate decision this year. Job gains, according to the ADP Employment Change report, although below expectations, rose by +140k in February (Jan: +111k). Job gains were broad based, led by leisure and hospitality, construction as well as trade and transportation. Pay gains generally trended lower but were still above inflation, with those for job-changers accelerating for the first time in more than a year at +7.6% y/y but those who stayed in their job continued to decelerate to +5.1% y/y, its smallest gain since August 2021.
- Meanwhile, job openings, according to the JOLTS Survey, dropped slightly and by less than expected to 8.86m in January (Dec: Downwardly revised 8.89m). Job openings fell in trade and transport as well as retail trade and government, while vacancies rose for leisure and hospitality. Over the month, the number of hires and total separations were also little changed, while 3.39m people left their jobs during the month, the fewest in 3 years suggesting the people are less confident in their ability to find new jobs that may pay better.
- Mortgage applications rebounded by a considerable 9.7% w/w for the week ended March 1 (Feb 23: -5.6% w/w) as the 30Y fixed mortgage rate eased slightly to 7.02%. Of note, purchase volume particularly for FHA loans was up strongly, showing how sensitive the first-time homebuyer segment to interest rate changes. The Mortgage Bankers Association also reported increases in new listings, a real positive for the spring buying season given the lack of for-sale inventory.

Eurozone's retail sales rebounded to +0.1% m/m but undershot expectations

- Retail sales undershot expectations although it grew by 0.1% m/m in January (Dec: -0.6% m/m). The increase was led by a rebound in food, drinks and tobacco as well as an acceleration in sales of automotive fuel in specialised stores. As it is, the still sluggish data paves way for expectations of a sluggish consumption growth in 1Q, suggesting that goods price inflation will be less of a concern for ECB at this juncture and that the ECB will remain focused on rising services inflation and wage growth.

Australia's GDP eased slightly to 0.2% q/q in 4Q

- Matching expectations, GDP moderated to +0.2% q/q and +1.5% y/y in 4Q (3Q: +0.3% q/q and +2.1% y/y). Government spending and private business investment were the main drivers to growth, the latter due to non-dwelling construction, while net trade contributed 0.6ppts to growth as imports fell. Household spending was subdued at +0.1% q/q (3Q: +0.6% q/q) as households cut back on discretionary spending like hotels, cafes & restaurants, cigarettes & tobacco, new vehicle purchases and clothing & footwear.

- As it is, while growth generally held steady during the quarter, the economy has broadly slowed across each quarter of 2023 and alarmingly so for per-capita income, given strong immigration has boosted population growth throughout the year. As weaknesses were also more acute for interest rate sectors, we expect consumer spending and the residential market to stay sluggish in the near term.

Strongest wage growth since June for Japan

- Labour cash earnings accelerated more than expected and by its fastest pace since June 2023 at +2.0% y/y in January (Dec: +0.8% y/y). This is the latest anecdotal evidence that upward pressure in wage growth for the coming fiscal year is intensifying as labour conditions continue to tighten, closely monitored by the BOJ for signs of demand-pull inflation and will be pivotal for BOJ to end its negative interest rates.

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
7-March	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)	-
8-March	US Consumer Credit (Jan)	\$1.561b
	JN Household Spending YoY (Jan)	-2.50%
	JN Bank Lending Ex-Trusts YoY (Feb)	3.50%
	JN Eco Watchers Survey Outlook SA (Feb)	52.5
	JN Leading Index CI (Jan P)	110.2
	EC GDP SA QoQ (4Q F)	0.00%
	EC Employment QoQ (4Q F)	0.30%
	US Change in Nonfarm Payrolls (Feb)	353k
	US Average Hourly Earnings MoM (Feb)	0.60%
	US Average Weekly Hours All Employees (Feb)	34.1

Source: Bloomberg

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