

7 May 2024

Global Markets Research

Daily Market Highlights

7 May: RBA set to meet and maintain status quo

Rate cut hopes boosted risk appetite; global equities rallied; safe currencies weakened
US saw tightened lending standards and weaker demand for consumer loans
Oil traders await Israel's official statement on the Gaza cease-fire proposal

- US equities extended on the previous session's strong gains, when the not-too-hot jobs data boosted rate cut hopes this year, while 1Q results season also gave investors reason for optimism. The three major stock indices closed up between 0.5-1.2% d/d with notable outperformers including American Airlines, Super Micro Computer and Micron, the latter after Baird upgraded the stock to "outperform" from "neutral". While the peak of the 1Q earnings season has passed and most have exceeded Wall Street's estimates, investors are still watching key companies set to report this week, including Walt Disney, Uber and Airbnb.
- Meanwhile, European stocks gained in thin trading on June rate cut optimism by the ECB. The Stoxx Eur 600 was up 0.5% d/d, with most sectors in green and led by insurance, energy and auto stocks. Asian stocks tracked Wall Street gains the previous session and are expected to follow suit today as well.
- In the Treasury space, UST yields closed mixed with the 2Y up 1bps to 4.83%, but the 10Y slipped 2bps to 4.49%. 10Y European bond yields, meanwhile, closed lower in tune to 1-6bps.
- DXY recovered some poise and closed just above the flatline at 105.05. Most of the G10 currencies strengthened against the Dollar save for its haven peers, JPY and CHF, as well as NZD. Fed speaks was the only item on the calendar to sway the market, with Fed President John Williams commenting that there will be interest rate cuts eventually but the decision is dependent on the totality of the data. Fed President Thomas Barkin, meanwhile, said that he expects higher interest rates to cool inflation towards its 2% target. Regional currencies closed mixed against the greenback with CNH, SGD and MYR depreciating between 0-0.3% d/d.
- Oil edged higher in tune to +0.5% d/d as traders await the outcome to the Gaza cease-fire proposal. Hamas said that it has agreed to the proposal by Qatar and Egypt, but Israel has yet to release an official statement. Meanwhile, in a nod of confidence over demand, Saudi Arabia raised the price of its flagship crude to Asia for the third month.

Some slight softening in regional S&P PMIs, although still expansionary

- The final Eurozone Services PMI was revised upwards by 0.4ppts to 53.3 in April (Mar: 51.5), its strongest expansion in just under a year. Employment increased at a faster rate, in line with the uptick in new orders, both strongest since mid-2023. On a country level, Spain outpaced its peers; Germany, Italy, and France boosted by tourism.
- Matching expectations, Caixin China Services PMI inched down 0.2ppts to 52.5 in April largely due to service providers cutting down on employment.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	38,852.27	0.46
S&P 500	5,180.74	1.03
NASDAQ	16,349.25	1.19
Stoxx Eur 600	508.22	0.53
FTSE 100	8,213.49	0.51
Nikkei 225	38,236.07	-0.10
CSI 300	3,657.88	1.48
Hang Seng	18,578.30	0.55
Straits Times	3,303.19	0.31
KLCI 30	1,597.39	0.49
FX		
Dollar Index	105.05	0.02
EUR/USD	1.0769	0.07
GBP/USD	1.2562	0.12
USD/JPY	153.92	0.57
AUD/USD	0.6625	0.23
USD/CNH	7.2142	0.30
USD/MYR	4.7393	0.02
USD/SGD	1.3512	0.12
Commodities		
WTI (\$/bbl)	78.48	0.47
Brent (\$/bbl)	83.33	0.45
Gold (\$/oz)	2,331.20	0.98
Copper (\$\$/MT)	9,910.00	1.48
Aluminum(\$/MT)	2,551.50	0.93
CPO (RM/tonne)	3,890.50	0.45

Source: Bloomberg, HLBB Global Markets Research
 * Dated as of 3 May for CPO, FTSE 100, Copper, Aluminium

This was nonetheless, offset by faster new business growth, its quickest in nearly a year, as well as improvements in new export business and confidence. Price inflation increased slightly but remained moderate overall.

- The S&P Global Hong Kong Composite PMI dipped slightly to 50.6 in April (Mar: 50.9), suggesting still subdued sentiment at this juncture. Forward-looking indicators, including new orders which registered a decline, signalled softening of conditions ahead, weighed down by the strong HKD which affected its competitiveness yet helped to tame price pressures.
- The S&P Global Singapore Composite PMI fell to 52.6 in April (Mar: 55.7), but forward-looking indicators such as new orders and backlogs of work indices hinted at further improvements in business activity in the coming months, albeit at slower rates. While employment levels fell, higher Future Output index suggests that firms could resume hiring soon. Also on a positive note was improved margin conditions with the rate of output price inflation almost catching up with that of input prices.

US Senior Loan Officer Survey showed tightened lending standards, weaker demand for loans to households

- Highlight from the latest Senior Loan Officer Survey showed that the effects from the higher interest rates are still feeding through the financial system as banks remain cautious and demand has weakened, suggesting slower loan growth ahead. Highlights include: 1) Banks tightened lending standards overall, except for some residential real estate products. Nonetheless, lower net shares of banks reported tightening lending standards as compared to 4Q. 2) For all commercial real estate loans, banks reported tightened lending policies, including the spread of loan rates over the cost of funds, maximum loan sizes, loan-to-value ratios, debt service coverage ratios, and interest-only payment periods. 3) Demand weakened for all residential real estate loans, for credit card, auto, and other consumer loans.

Eurozone's investor confidence still negative but highest since 2022

- Sentix Investor Confidence rose to its highest since February 2022 to -3.6 points in May (Apr: -5.9). Situation and expectation values contributed equally to the increase, albeit still in moderate momentum, and were higher than consensus forecasts. Of note, Germany, although still weak, no longer registers negative economic expectations for the first time since March 2022.
- Matching expectations, the contraction in producer prices (PPI) narrowed to -0.4% m/m in March (Feb: -1.1% m/m), while prices on a y/y basis fell by -7.8% y/y (Feb: -8.5% y/y). The latter was driven by smaller contractions in prices for intermediate goods and energy prices, while prices for capital and consumer goods slowed. As it is, ECB Chief Economist Philip Lane has said that recent data has made him more confident inflation will return to the 2% goals

Easing inflationary expectations in Australia

- Melbourne Institute inflation expectations moderated slightly and to its lowest since 2022 to 3.7% in April (Mar: 3.8% y/y). Amidst weak consumer spending recently, this should give the RBA leeway to maintain its cash rate unchanged at 4.35% when they meet today.

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	1.06-1.09	1.06	1.05	1.06	1.06
GBP/USD	1.24-1.27	1.24	1.22	1.23	1.24
USD/JPY	150-156	152	149	146	143
AUD/USD	0.64-0.67	0.65	0.65	0.65	0.66
USD/MYR	4.71-4.78	4.73	4.68	4.64	4.57
USD/SGD	1.34-1.37	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

Source: HLBB Global Markets Research

Up Next

Date	Events	Prior
7-May	JN Jibun Bank Japan PMI Services (Apr F)	54.6
	AU Retail Sales Ex Inflation QoQ (1Q)	0.30%
	AU RBA Cash Rate Target	4.35%
	EC Retail Sales MoM (Mar)	-0.50%
8-May	US Consumer Credit (Mar)	\$14.125b
	MA Foreign Reserves	\$113.4b
	US MBA Mortgage Applications	-2.30%

Source: Bloomberg

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