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Global Markets Research

Daily Market Highlights

08 Feb: US equities advanced on positive corporate earnings

Smaller gains in Treasury yields supported the equity markets; DXY edged down slightly
Slowest gain in US consumer credit in 4 months; China's CPI and PPI in focus today
Renewed decline in Malaysia's IPI; on track for 2023 full year GDP growth of 3.8%

- Smaller gains in UST yields led US equities higher by between 0.4-1.0% d/d overnight. Nine of the S&P 500's eleven sectors closed in green and the earnings season continued to drive big moves. Snap shares plunged 35% d/d after reporting slower user growth and missed revenue expectations, but Chipotle Mexican Grill climbed to a record high after reporting strong sales. Disney's earnings also beat forecasts, while Arm shares soared after the chip designer gave strong forecasts on AI boost. Meanwhile, drama in the regional bank arena continued with New York Community Bancorp shares gaining after naming a new chairman and after Moody's cut its credit rating status to junk.
- While Asia markets were broadly higher, European equities fell as US banking sector jitters hit sentiment and most sectors closed in red. In central bank speak, ECB'S Isabel Schnabel said that the ECB should be patient with rate cuts.
- Treasury yields closed steadier, rising just between 2-3bps across the curve. The 2Y closed at 4.43% and the 10Y at 4.12% as investors weighed in on earlier Fed speaks that the central bank would proceed with caution before cutting rates. With the exception of Norwegian and Danish bonds, 10Y European bond yields also closed mostly higher by up to +3bps.
- DXY slipped 0.2% d/d to 104.06 amidst profit taking as the markets weighed in on central banks' policies. USD closed weaker against most of its G10 peers save CHF, JPY and AUD and mixed against regionals. EUR, GBP, MYR and SGD appreciated slightly by less than 0.2% d/d each, but CNH depreciated by 0.2% d/d.
- Oil gained another 0.8% d/d in a choppy session as Netanyahu vowed to press on with the Gaza war, while an Energy Information Administration report showed that while US gasoline inventories fell 3.15m barrels last week, national oil inventories rose the most since November, keeping lid on prices.

US consumer credit expanded at the slowest pace in 4 months; trade deficit widened; mortgage applications rebounded

- Consumer credit grew by less than forecast and at its slowest pace in four months by +$1.6bn in December (Nov: +$23.5bn). Revolving credit, which includes credit card, rose $1.0bn (Nov: +$17.9bn, the largest increase since March 2022), while non-revolving credit such as loans for vehicle purchases and school tuition climbed just $0.5bn (Nov: $5.5bn). As it is, while a robust labour market has continued to support consumer spending, consumers have also been carrying bigger credit card balances to support their purchases.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	38,677.36	0.40
S&P 500	4,995.06	0.82
NASDAQ	15,756.64	0.95
Stoxx Eur 600	485.63	-0.23
FTSE 100	7,628.75	-0.68
Nikkei 225	36,119.92	-0.11
CSI 300	3,343.63	0.96
Hang Seng	16,081.89	-0.34
Straits Times	3,156.15	0.97
KLCI 30	1,513.11	0.01
FX		
Dollar Index	104.06	-0.15
EUR/USD	1.0772	0.16
GBP/USD	1.2626	0.22
USD/JPY	148.18	0.16
AUD/USD	0.6520	-0.05
USD/CNH	7.2128	0.16
USD/MYR	4.7607	-0.15
USD/SGD	1.3433	-0.07
Commodities		
WTI ($/bbl)	73.86	0.75
Brent ($/bbl)	79.21	0.79
Gold ($/oz)	2,035.20	0.03
Copper ($$/MT)	8,312.00	-1.07
Aluminum($/MT)	2,222.00	-0.38
CPO (RM/tonne)	3,872.00	1.03

Source: Bloomberg, HLBB Global Markets Research
** Dated as of 6 Feb for CPO*

- Trade deficit was wider than expected at -$62.2bn in December (Nov: Downward revised -$61.9bn), reflecting an increase in the goods deficit to -$89.1bn, while services surplus rose to $26.9bn. For the whole of 2023, trade deficit narrowed by the most since 2009 to $773.4bn, reflecting efforts by companies to limit buildup in inventories, restraining demand for imports and also American's shifting preference towards services and travel post-pandemic. All in, smaller trade deficit, and consequently net exports, is positive to GDP calculation.
- Mortgage applications rebounded to +3.7% w/w for the week ended February 2 (Jan 26: -7.2% w/w) as mortgage rates (6.80%) held largely steady since the start of the year. Although the uptick was driven by the refinance market, refinancing activities have largely remained slow as most homeowners have mortgages with much lower rates. In contrast, purchase activity has broadly stayed strong although y/y numbers are still weighed down by low housing supply.

Japan's leading index improved more than expected; bank lending accelerated slightly

- String of positive indicators from Japan. Bank lending picked up slightly to +3.1% y/y in January (Dec: 3.0% y/y), while the Leading Index rose more than expected to 110.0 in December (Nov: 108.1), suggesting a gradual improvement in economic activities. The m/m uptick for the latter marks the first expansion in four months, supported by a turnaround in new job offers and an acceleration in consumer confidence.

Renewed decline in Malaysia's IPI, dragged by continuous fall in manufacturing

- IPI growth registered a slight negative print of 0.1% y/y in December (Nov: +0.6% y/y), snapping two consecutive months of gains, signalling a still fragile and uncertain operating landscape. This came in below consensus estimate for a 0.6% y/y increase but in line with our take for a flat reading. On a month-on-month basis, IPI fell 2.6% m/m, dragged by contractions in manufacturing (-3.2% m/m) and electricity (-0.8% m/m), while the mining sector managed to eke out a 0.9% m/m increase. Tracking the softer momentum in IPI, manufacturing sales fell 4.2% y/y in December (Nov: -2.6% y/y), with signs of further softening labour market conditions. Salaries & wages grew a mere 2.1% y/y, while the number of employed also grew at its slowest pace (+1.7% y/y) since July 2023.
- The weaker production in December signalled economic activities remained patchy. Barring surprises from the services front, 4Q GDP growth is expected to inch up slightly to +3.4% y/y, hence bringing the full year 2023 growth forecast closer to our upside scenario of 3.8%. The growth outlook for 2024 is expected to remain moderate, picking up to 4.7% y/y, underpinned by sustained domestic demand and recovery in exports. Continued employment and wage growth, further improvement in tourism arrivals, as well as implementation of infrastructure projects and initiatives under the master plans and national budget will be the main growth impetus for domestic demand.

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**
8-Feb	CH PPI YoY (Jan)	-2.70%
	CH CPI YoY (Jan)	-0.30%
	JN Eco Watchers Survey Outlook SA (Jan)	49.1
	US Initial Jobless Claims	224k
9-18 Feb	CH Aggregate Financing CNY (Jan)	1940.0b
	CH FDI YTD YoY CNY (Jan)	-8.00%

Source: Bloomberg

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