8 April 2024

Global Markets Research

Daily Market Highlights

8 April: Stronger than expected US job data dented rate cut bets

US nonfarm job data supports the Fed's no rush to cut stance; more hawkish Fed rumbles
US equities rallied on strength of the economy; UST plummeted while DXY advanced
Brent held firmly above $90/barrel on escalating tension in the Middle East

- The strong jobs data in the US rekindled the stock market rally on Friday, sending all the three major indices up 0.8-1.2%. The gains in nonfarm payroll (NFP) surged more than expected by 303k in March while there were 22k of upward revisions to the past two months of data. The latest highlighted the strength of the labour market and the economy, and expectations that the Fed could engineer a soft landing. Gains were broad based, with all the 11 S&P sectors closing in the green, led by communication services and industrials.
- European markets, on the other hand, closed lower in a lackluster trading week amidst jitters over the geopolitical tension in the Middle East as well as interest rate outlook after the hotter-than-expected US jobs print. Similarly, Nikkei led losses in Asia on fears that Fed could hold off rate cuts, but could rebound today following the US.
- Treasuries plummeted after the surprisingly strong NFP data, trimming market expectations for Fed rate cuts and supporting the Fed's stance of a no rush to cut stance. Treasury yields surged in tune to 7-10bps across board, with the 2Y up 10bps to close at 4.75% and the 10Y gained 9bps to 4.40%. 10Y European bond yields increased between 1-7bps led by the Italian sovereign bonds.
- In the forex market, DXY rose to as high as 104.69 before falling back to close at 104.30 (+0.2% d/d). The Dollar was not only supported by the upbeat data but also continued rumble of hawkish Fed speaks. Fed President Lorie Logan said it's too soon to consider cutting rates, citing recent high inflation and signs that borrowing costs may not be holding the economy back as much as previously thought. Meanwhile, Governor Michelle Bowman said that additional rate hikes may be needed if inflation stays high. Led by CAD, NZD and JPY, most G10 currencies weakened against the greenback while regional currencies closed mixed. Both the MYR and SGD depreciated by less than 0.2% d/d each to close at 4.7475 and 1.3487 respectively.
- Oil prices posted at least four consecutive sessions of gain, rising 0.4-0.6% d/d with the Brent holding firm above $90/barrel. Driving prices were the Middle East tension, with Israel increasing preparations for possible attacks on Iran.

US NFP surged more than expected, but weakness observed; Rising credit card balances

- US nonfarm job gains surprised on the upside again, and with the upcoming inflation numbers likely to remain hot (Consensus is expecting headline and core at 3.4% and 3.7% in March), the prospect of a June rate cut from the Fed is getting slimmer but does not change our expectations that rate cuts remain on deck this year. The gains in NFP unexpectedly rose by +303k in March (Feb: +270k) while there were 22k of upward revisions to the past two months of data. Unemployment rate inched down slightly to 3.8% (Feb: 3.9%), while

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	38,904.04	0.80
S&P 500	5,204.34	1.11
NASDAQ	16,248.52	1.24
Stoxx Eur 600	506.55	-0.84
FTSE 100	7,911.16	-0.81
Nikkei 225	38,992.08	-1.96
CSI 300	3,567.80	-0.36
Hang Seng	16,723.92	-0.01
Straits Times	3,218.26	-0.52
KLCI 30	1,555.25	0.13
FX		
Dollar Index	104.30	0.17
EUR/USD	1.0837	0.00
GBP/USD	1.2638	-0.03
USD/JPY	151.62	0.19
AUD/USD	0.6579	-0.14
USD/CNH	7.2478	-0.02
USD/MYR	4.7475	0.15
USD/SGD	1.3487	0.01
Commodities		
WTI ($/bbl)	86.91	0.37
Brent ($/bbl)	91.17	0.57
Gold ($/oz)	2,325.70	1.61
Copper ($$/MT)	9,329.50	-0.32
Aluminum($/MT)	2,450.50	0.25
CPO (RM/tonne)	4,534.50	0.15

Source: Bloomberg, HLBB Global Markets Research
** Dated as of 4 April for CPO, 3 April for CSI 300*

average hourly earnings and weekly hours picked up to +0.3% m/m and 34.4 hours respectively (Feb: +0.2% m/m and 34.3 hours).

- The details, nonetheless, were not as strong, reaffirming a softening labour market trend. For one, job gains were concentrated mainly in healthcare, government and construction and were little changed or flat for cyclical industries like manufacturing and retail trade. Secondly, gains were observed in part-time employment while full-time employment fell for the fourth consecutive month. Lastly, the ISM employment components are in contraction territory for both the manufacturing and services sector.
- Consumer credit, meanwhile, continued to expand in February, albeit at a slower than expected pace by $14.1bn (Jan: +$17.7bn). Revolving credit, which includes credit cards, climbed $11.3bn, while non revolving credit, such as loans for vehicle purchases and school tuition increased $2.9bn (Jan: +$8.6bn and +$9.1bn). While robust job growth will continue to support household spending going forward, mounting credit card balances and lower savings rate suggests that these borrowers are at risk should the economy and labour market weaken.

Eurozone's retail sales fell more than expected; a sluggish 1Q GDP expected

- Retail sales in the bloc came in weaker than expected, falling by 0.5% m/m in February (Jan: 0), and largely in line with our view for a weak 1Q GDP and expectations that the ECB will start cutting rates in its June policy meeting. Sales contracted for all three broad categories and amongst the largest economies, fell for Germany and France.

Australia's trade balance narrowed on lower metal ore exports to China

- Trade balance narrowed more than expected to its 5-months low of A$7.3bn in February (Jan: +$10.1bn). The drop was mainly spurred by lower exports of metal ores and minerals, as demand from China remained sluggish dented by the property downturn in the country. Consequently, exports turned contractionary at 2.2% y/y (Jan: +1.5% y/y), while imports accelerated to +4.8% y/y (Jan: +1.4% y/y) amidst sustained demand for consumer goods.

Japan's leading index improved more than expected; coincident signals a possible turning point; Wages decelerated in February

- The Leading Index rebounded more than expected to 111.8 in February (Jan: 109.5), while the assessment of the coincident index signalled a possible turning point for the economy. Driving the turnaround this month was new job offers (+1.6 vs -1.2) as well as a pick-up in the consumer confidence index (+1.1 vs +0.8).
- Meanwhile, real wages posted a steeper drop than expected by 1.3% y/y in February (Jan: -0.6% y/y), amidst higher inflationary pressures as well as a deceleration in nominal wages (+1.8% y/y vs +2.0% y/y). While this could have dragged on spending during the month, the largest pay hike in 3 decades, positive consumer confidence and employment sub-indices suggests a positive shift to consumer spending dynamic going forward.

Hong Kong registered its first expansionary PMI in 3 months

- The S&P Global Hong Kong PMI rose to 50.9 in March (Feb: 49.7), its first expansion in three months with all five components showing signs of improvement. Of note, new orders registered its second increase in the past nine months, cost pressures eased but firms were not convinced of a sustained rebound in output, suggesting that the economy may stay soft. The

Government is expecting the economy to grow between 2.5-3.5% in 2024 (2023: 3.2%).

Singapore's retail sales jumped on festive boost

- Retail sales accelerated more than expected by +8.4% y/y and +3.0% m/m in February (Jan: +1.6% y/y and -0.5% m/m), partially due to seasonal effect from the timing of Chinese New Year festivities while tourism and concerts should continue to boost takings in the next few months. These include the 30-day Singapore-China mutual visa-free exemption which kicked off on February 9 and is expected to boost tourist arrivals, as well as the Taylor Swift: The Eras tour starting on March 2. Most industries recorded y/y growth during the month, led by food & alcohol, supermarkets & hypermarkets as well as watches & jewellery.

Malaysia's foreign reserves stood at $113.8bn to end 1Q

- Foreign reserves increased slightly by $0.4bn in 2H of March to U$113.8bn (1H of March: -$0.9bn). The reserves level has taken into account the quarterly foreign exchange revaluation changes, is sufficient to finance 5.6 months of imports of goods and services and is 1.0 times of the total short-term external debt.

House View and Forecasts

FX	This Week	1Q-24	2Q-24	3Q-24	4Q-24
DXY	102-106	101.84	101.33	100.82	100.32
EUR/USD	1.07-1.10	1.10	1.11	1.11	1.10
GBP/USD	1.25-1.29	1.28	1.29	1.29	1.27
USD/JPY	148-153	142	140	137	134
AUD/USD	0.64-0.68	0.68	0.68	0.69	0.70
USD/MYR	4.70-4.76	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 - 0.10	0 - 0.10	0 - 0.10	0 - 0.10
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-April	AU Home Loans Value MoM (Feb)	-3.90%
	MA Manufacturing Sales Value YoY (Feb)	3.20%
	MA Industrial Production YoY (Feb)	4.30%
	JN Eco Watchers Survey Outlook SA (Mar)	53
	EC Sentix Investor Confidence (Apr)	-10.5
	US NY Fed 1-Yr Inflation Expectations (Mar)	3.04%
9-April	AU Westpac Consumer Conf Index (Apr)	84.4
	AU NAB Business Conditions (Mar)	10
	JN Consumer Confidence Index (Mar)	39.1
	US NFIB Small Business Optimism (Mar)	89.4
9-15 April	CH New Yuan Loans CNY YTD (Mar)	6370.0b

Source: Bloomberg

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