

9 May 2024

Global Markets Research

Daily Market Highlights

9 May: Expect BOE and BNM to stand pat today

**Fed's Collins echoed high-for-longer stance; UST yields climbed while USD strengthened
JPY weakened despite BOJ Ueda's comment that monetary policy response could be needed
Sweden's Riksbank cut rates for the first time since 2016; all eyes on BOE and BNM today**

- The Dow extended its winning streak for the sixth day, as investors shook off some weakness in tech. Dow Jones added 0.4% d/d, but the S&P 500 closed just below the flatline and Nasdaq pulled back by 0.2% d/d. Investors on Wednesday digested the latest mixed results from companies like Uber, Spotify, Lyft and Reddit, while Tesla shares dipped 1.7% d/d after Reuters reported that US prosecutors are looking into whether the company committed fraud as part of a probe into its Autopilot systems.
- Elsewhere, Stoxx 600 index ended up 0.3% d/d, with most sectors and major bourses in positive territory. Sentiment was lifted by hopes of interest rate cut bets, especially after Sweden's central bank cut its key interest rate for the first time in 8 years citing easing inflation and hinted at 2 more cuts. Similarly, corporate results, from BMW to Siemens Energy, were mixed.
- In Asia, Nikkei led declines in the region, driven by some negative earnings or outlook from notable names like Toyota and UOB. Today, Asian equities are set for a mixed open following the futures and flattish US markets overnight.
- In the Treasury space, yields rose 1-4bps across the curve after recent remarks by Fed officials that interest rates may have to stay higher-for-longer to bring inflation back to target, the latest from Fed President Susan Collins. Similarly, 10Y European bond yields also increased between 2-6bps.
- Supported by higher UST yields, the Dollar strengthened against most of its G10 peers and regional currencies. DXY gained for the third day, albeit at a more paced rate of +0.1% d/d at 105.55. JPY lagged behind its peers (-0.5% d/d to 155.53) despite comments from BOJ Governor Kazuo Ueda that a monetary policy response could be needed depending on the impact on the foreign exchange rates. EUR, GBP and AUD, meanwhile, depreciated between 0.1-0.3% d/d, while on the regional front, SGD, MYR and CNH weakened mildly by 0.1% d/d each.
- Crude oil prices recovered by 0.5-0.8% d/d after the Energy Information Administration data showed a decline in US stockpiles by 1.4m barrels in the first week of May, a sign of tighter physical market.

US mortgage applications registered its first increase in 3 weeks

- Boosted by the retreats in mortgage rates, applications registered its first increase in 3 weeks and expanded by +2.6% w/w for the week ended May 3 (Apr 26: -2.3% w/w). The conventional 30Y rate dropped 11bps and the FHA (Federal Housing Administration) rate fell 17bps to 6.92%. Consequently, driven by a 5% jump in FHA applications, purchase activity was up 1.8% w/w (Apr 26: -1.7% w/w), with first-time homebuyers accounting for roughly half of purchase loans. The government lending programs were an important source of financing for these homebuyers and the gain in FHA activity is a

Key Market Metrics

| | Level | d/d (%) |
|--------------------|-----------|---------|
| Equities | | |
| Dow Jones | 39,056.39 | 0.44 |
| S&P 500 | 5,187.67 | 0.00 |
| NASDAQ | 16,302.76 | -0.18 |
| Stoxx Eur 600 | 515.77 | 0.34 |
| FTSE 100 | 8,354.05 | 0.49 |
| Nikkei 225 | 38,202.37 | -1.63 |
| CSI 300 | 3,630.22 | -0.79 |
| Hang Seng | 18,313.86 | -0.90 |
| Straits Times | 3,264.53 | -1.08 |
| KLCI 30 | 1,604.75 | -0.06 |
| FX | | |
| Dollar Index | 105.55 | 0.13 |
| EUR/USD | 1.0748 | -0.07 |
| GBP/USD | 1.2498 | -0.09 |
| USD/JPY | 155.53 | 0.54 |
| AUD/USD | 0.6580 | -0.27 |
| USD/CNH | 7.2297 | 0.06 |
| USD/MYR | 4.7415 | 0.06 |
| USD/SGD | 1.3555 | 0.07 |
| Commodities | | |
| WTI (\$/bbl) | 78.99 | 0.78 |
| Brent (\$/bbl) | 83.58 | 0.51 |
| Gold (\$/oz) | 2,322.30 | -0.08 |
| Copper (\$\$/MT) | 9,904.00 | -1.25 |
| Aluminum(\$/MT) | 2,549.00 | -0.80 |
| CPO (RM/tonne) | 3,949.00 | 1.18 |

Source: Bloomberg, HLBB Global Markets Research
* Dated as of 7 May for CPO

sign that there is pent up demand from first time home buyers. Meanwhile, refinancing activity also increased 4.5% w/w after prior week's -3.3% w/w.

UK RICS House Price Balance held steady

- In sign of stability but still sluggish housing market, the RICS House Price Balance index held steady at -5 in April. The index, was nonetheless, worse than expected amidst worsened new buyer enquiries, price and sales expectations. These were, nonetheless, offset by a jump in new instructions sub-index and a rebound in agreed sales.

Japan's wages lagged inflation

- March's wage data showed that pay gains continued to lag inflation, and consequently, real wages posted its sharpest drop in 4 months by 2.5% y/y (Feb: -1.8% y/y). Nominal wage growth also slowed to +0.6% y/y (Feb: +1.4% y/y), also missing forecasts and exacerbated by a drop in bonuses, but are likely to accelerate in the new fiscal year after the successful annual spring labour-management negotiations.

Malaysia's foreign reserves fell another \$0.6bn in 2H of April

- Foreign reserves fell another \$0.6bn in 2H April to \$112.8bn as at end April (1H: -\$0.4bn), sufficient to finance 5.5 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 | 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 |
|----------|---|----------|
| 9-May | JN Leading Index CI (Mar P) | 111.8 |
| | MA BNM Overnight Policy Rate | 3.00% |
| | UK Bank of England Bank Rate | 5.25% |
| | US Initial Jobless Claims | 208k |
| | UK DMP 1 Year CPI Expectations (Apr) | 3.20% |
| | CH Exports YoY (Apr) | -7.50% |
| 9-15 May | CH Aggregate Financing CNY YTD (Apr) | 12930.0b |
| 10-May | JN Household Spending YoY (Mar) | -0.50% |
| | MA Manufacturing Sales Value YoY (Mar) | 0.70% |
| | MA Industrial Production YoY (Mar) | 3.10% |
| | JN Eco Watchers Survey Outlook SA (Apr) | 51.2 |
| | UK GDP QoQ (1Q P) | -0.30% |
| | US U. of Mich. Sentiment (May P) | 77.2 |

Source: Bloomberg

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