

10 June 2024

## Global Markets Research

### Daily Market Highlights

## 10 June: Upside surprises in US job data pared rate cut bets

**UST yields & DXY jumped on upside surprises in US NFP gains and wage growth**

**Eurozone's final 1Q GDP left unchanged at +0.3%; Japan's annualized 1Q GDP fell 1.8%**

**Malaysia: Diesel prices to be floated starting today @RM3.35/litre; minimal impact on inflation**

- It was a whipsaw session in the US equity markets, but eventually gave up the gains and closed with marginally losses, as investors weighed on the good news from the better-than-expected gain in NFP data potentially on corporate earnings growth, versus the higher unemployment rate. The broad market index slipped 0.1% d/d after reaching an all-time high earlier in the session, while the Dow and Nasdaq finished 0.2% d/d lower. In stock specific, trading in GameStop and AMC Entertainment Holdings were halted on circuit breaker during the day and closed the day more than 10% d/d lower each.
- In Europe, Stoxx Eur 600 also closed 0.2% d/d lower following the NFP print. All major bourses and almost all sectors traded in the red, led by utilities and real estate. In Asia, stocks closed mixed despite the positive China and Japan's economic numbers while India's Sentex rallied to a new record after an election-fuelled week that saw Modi holding on to his realm.
- Treasury yields rose after the stronger than expected jump in NFP data which saw traders paring back on rate cut bets. The benchmark 10Y yield jumped 15bps to 4.43%, while the 2Y rose 16bps to 4.89%. 10Y European bond yields also rose in tune to 6-9bps.
- DXY surged to 104.89 (+0.8% d/d) after the US payroll and wage growth topped estimates, from its session low of 104.00. Led by SEK, NZD and NOK, all the G10 currencies weakened against the Dollar, while regional currencies closed mixed against greenback. JPY, SGD and CNH weakened against USD in tune to 0.1-0.7% d/d, but MYR strengthened 0.1% d/d to 4.6920.
- Oil closed slightly down between 0-0.3% d/d, off its low for the week but posting its third weekly loss after OPEC+ announced plans to phase out its production cuts starting in October.

### US added a much-better-than-expected 272k jobs in May, but unemployment rate edged up

- The US added more jobs than expected in May, with gains in nonfarm payrolls (NPF) expanding by 272k (Apr: +165k) while the two-month payrolls were revised down by 15k. Despite the stronger job gains and the lower labour participation rate, the unemployment rate rose 0.1ppts to 4.0%, the first time it has reached this level since January 2022 and full-time workers declined by 625k during the month. Job gains were concentrated in health care, government as well as leisure and hospitality, consistent with recent trends, while average hourly earnings were higher than expected at +0.4% m/m and +4.1% y/y (Apr: 0.2% m/m and +4.0% y/y). It was an easing-unfriendly labour report that presents a contradictory view of the labour market, but one that won't change expectations that Fed will hold its interest rates when they meet this week. Traders, nonetheless, pared back

#### Key Market Metrics

	Level	d/d (%)
<b>Equities</b>		
Dow Jones	38,798.99	-0.22
S&P 500	5,346.99	-0.11
NASDAQ	17,133.13	-0.23
Stoxx Eur 600	523.55	-0.22
FTSE 100	8,245.37	-0.48
Nikkei 225	38,683.93	-0.05
CSI 300	3,574.11	-0.50
Hang Seng	18,366.95	-0.59
Straits Times	3,330.77	0.00
KLCI 30	1,617.86	0.19
<b>FX</b>		
Dollar Index	104.89	0.75
EUR/USD	1.0801	-0.82
GBP/USD	1.2719	-0.56
USD/JPY	156.75	0.73
AUD/USD	0.6582	-1.26
USD/CNH	7.2631	0.05
USD/MYR	4.6920	-0.06
USD/SGD	1.3522	0.48
<b>Commodities</b>		
WTI (\$/bbl)	75.53	-0.03
Brent (\$/bbl)	79.62	-0.31
Gold (\$/oz)	2,305.20	-2.75
Copper (\$\$/MT)	9,762.50	-3.81
Aluminum(\$/MT)	2,578.00	-2.63
CPO (RM/tonne)	3,942.00	-0.06

Source: Bloomberg, HLBB Global Markets Research

\* Dated as of 6 June for CPO

bets of rate cuts for 2024, with the OIS assigning a 68% probability of 1-2 rate cuts by end-year.

- Consumer credit increased in April by less than forecast (+\$6.4bn vs -\$1.1bn) as credit card balances declined for the first time in 3 years. Revolving credit, which includes credit cards, fell by \$0.5bn while non-revolving credit, such as loans for auto purchases and tuition fees, increased \$6.9bn, the most since June 2022. As it is, the drop in revolving credit suggests that households are keeping tab on their credit card balances in lieu of the elevated interest rate while separate data by the New York Fed recently showed that although delinquency rates increased slightly to 3.2% at the end of March, this remained below historical standards.

#### **Eurozone's final 1Q GDP was left unchanged at +0.3% q/q, driven by net trade and consumer spending**

- The final 1Q GDP was left unchanged at +0.3% q/q, a rebound from 4Q's -0.1% q/q. Net trade provided the biggest contribution to growth during the quarter, adding 0.9ppts while consumer spending brought another 0.1ppts to growth, helping to outweigh drops in investment and inventory. The latest data reaffirms that the economic bloc has stabilised, although growth in 2Q is expected to remain subdued as manufacturers continue to struggle and on geopolitical tensions.

#### **Stable leading index for Japan, improved coincident suggests a turnaround for the economy**

- The Japanese economy contracted less than initially expected at an annualized rate of -1.8% q/q (Initial: -2.0%, 4Q: 0) on the back of narrower contraction in business spending, while separate data showed that bank lending decelerated for the second month to +3.0% y/y in May (Apr: +3.1% y/y). Although matching expectations, the Leading Index also weakened slightly to 111.6 in April from 111.7 previously, but the Coincident index improved for the third month to 115.2 from 114.2 previously, signalling that while the overall economy remains weak at this juncture, it may have reached a possible turning point. With this, the BOJ will most likely maintain its policy rates unchanged at 0-0.1% this Friday.

#### **China's exports surged, but headwinds persist**

- Exports jumped more than expected by 7.6% y/y in May, while imports grew at a much slower pace of +1.8% y/y (Apr: +1.5% y/y vs +8.4% y/y). As it is, firmer overseas demand is likely to support export growth going forward, with favourable base effect lending an extra boost. While it remains to be seen whether the uplift will be adequate to offset the weak domestic demand, one for certain is that exports will face headwinds from the increasing trade restrictions by the US and EU. In fact, export growth during the month was mainly driven by outbound shipments to some emerging markets, while exports to developed economies like the US and EU fell.

#### **Diesel prices to be floated starting today for Malaysia**

- According to Finance Minister II Datuk Seri Amir Hamzah, diesel prices in the Peninsula will be floated and will retail at RM3.35/litre wef today (Previous: RM2.15/litre). The price is based on the Automatic Pricing Mechanism formula for the month of May. Finance Minister II also added that the Budi Madani RM200 cash assistance programme will be implemented at the same time and would involve some 30k diesel vehicle owners under the first batch

of recipients or 80% of diesel vehicle owners based on consumption patterns.

- Just a recap, this diesel subsidy targeting is expected to save the government RM4.0bn or 0.2% of GDP, and is expected to have minimal impact on overall CPI given its meagre 0.2% weightage in the CPI basket. Key will be the rollout of RON95 subsidy targeting which we believe will take place towards year end, likely driving CPI above the 5.0% level during the month of implementation.

#### House View and Forecasts

FX	This Week	2Q-24	3Q-24	4Q-24	1Q-25
DXY	102-106	105.43	105.56	103.45	101.38
EUR/USD	1.07-1.11	1.06	1.05	1.06	1.06
GBP/USD	1.26-1.30	1.24	1.22	1.23	1.24
USD/JPY	153-158	152	149	146	143
AUD/USD	0.65-0.68	0.65	0.65	0.65	0.66
USD/MYR	4.67-4.72	4.73	4.68	4.64	4.57
USD/SGD	1.33-1.36	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	4.25	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
10-June	MA Manufacturing Sales Value YoY (Apr)	1.40%
	MA Industrial Production YoY (Apr)	2.40%
	JN Eco Watchers Survey Outlook SA (May)	48.5
	MA Foreign Reserves	\$113.3b
	EC Sentix Investor Confidence (Jun)	-3.6
	US NY Fed 1-Yr Inflation Expectations (May)	3.26%
11-June	AU NAB Business Conditions (May)	7
	UK ILO Unemployment Rate 3Mths (Apr)	4.30%
	US NFIB Small Business Optimism (May)	89.7
11-18 June	CH FDI YTD YoY CNY (May)	-27.90%

Source: Bloomberg

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