

11 March 2024

## Global Markets Research

### Daily Market Highlights

## 11 March: Mixed US job data left Fed rate cut outlook intact

US equity markets, shorter-term Treasury yields and DXY fell after the mixed NFP data

JPY rallied on reports the BOJ is leaning towards scrapping its negative interest rates

Eurozone's economy stagnated in 4Q; China's CPI rose for the first time since August 2023

- US equities closed the week in red, with all three major indices sliding between 0.2-1.2% d/d after the latest non-farm payroll (NFP) data offered mixed signals on the labour market and as tech stocks took a breather. Consequently, the information technology sector was the worst performing S&P sector during the day. Analysts were mostly encouraged by the NFP report, arguing that the robust new job numbers and slower wage growth showed that the Fed can curb inflation without tipping the economy into a hard landing. Gains in NFP were higher than expected at +275k, but the net two-month revision stood at a whopping -167k and unemployment rate also ticked up to 3.9% while wage growth slowed.
- Elsewhere, European equity markets closed mixed, but Asian markets closed higher taking its cue from the US rally the day before after Powell's comments. Nonetheless, Asian markets are set for a muted open today as US CPI comes in focus this week and following the downbeat close on Friday.
- Shorter-term Treasury yields fell as the latest jobs data reaffirmed bets on a June Fed cut. As it is, **the Fed fund futures were unchanged with a 66.2% probability of a rate cut in the June meeting.** The 2Y Treasury yields dropped 3bps to 4.47%, but the 10Y yield closed 1bps higher at 4.08%. Led by Norwegian bonds, 10Y European bond yields also fell 2-9bps.
- The Dollar came under pressure and weakened against most of its G10 peers, with the DXY sliding 0.1% d/d to 102.71 after falling as low as 102.36 during the day. JPY led gains against USD, rallying 0.7% d/d to 147.06, aided by reports the BOJ is leaning towards scrapping its negative interest rates. EUR weakened 0.1% d/d against USD after the Bank of France governor said that the ECB is very likely to cut rates in the April or June meeting, but GBP appreciated by 0.4% d/d. Asian currencies appreciated against greenback, with MYR one of the leading gainers (+0.5% d/d to 4.6835). SGD appreciated by a narrower pace of 0.2% d/d to 1.3311, while CNH closed flat at 7.2000.
- Oil prices eased 1.1-1.2% d/d as lackluster demand out of China coincided with recent comments from an International Energy Agency official that the market is well-supplied this year. Accordingly, crude oil imports in China fell about 5.7% to 10.8m barrels per day in the first two months of the year. Still, oil prices got some support from a brief outage in North America's pipeline as well as Powell's comments that the central bank is getting confident that it needs to start cutting rates.

#### US jobless rate ticked up to 3.9% even as hiring picked more than expected

- Jobless rate unexpectedly climbed to a 2-year high of 3.9% in February (Jan: 3.7%) even as hiring remained healthy, with NFP rising more than expected by 275k for the month (Jan: +229k downwardly revised from +353k). The reading

#### Key Market Metrics

	Level	d/d (%)
<b>Equities</b>		
Dow Jones	38,722.69	-0.18
S&P 500	5,123.69	-0.65
NASDAQ	16,085.11	-1.16
Stoxx Eur 600	503.26	0.02
FTSE 100	7,659.74	-0.43
Nikkei 225	39,688.94	0.23
CSI 300	3,544.91	0.43
Hang Seng	16,353.39	0.76
Straits Times	3,147.09	0.42
KLCI 30	1,539.86	0.26
<b>FX</b>		
Dollar Index	102.71	-0.11
EUR/USD	1.0939	-0.08
GBP/USD	1.2858	0.38
USD/JPY	147.06	-0.67
AUD/USD	0.6624	0.06
USD/CNH	7.2000	0.00
USD/MYR	4.6835	-0.46
USD/SGD	1.3311	-0.16
<b>Commodities</b>		
WTI (\$/bbl)	78.01	-1.17
Brent (\$/bbl)	82.08	-1.06
Gold (\$/oz)	2,185.50	0.94
Copper (\$\$/MT)	8,579.50	-0.71
Aluminum(\$/MT)	2,240.00	-0.58
CPO (RM/tonne)	4,098.50	0.13

Source: Bloomberg, HLBB Global Markets Research

\* Dated as of 7 March for CPO

for the prior two months was also revised lower by 167k. Job gains were, nonetheless, concentrated in a few industries and services-led, driven by the health care, government, food services & drinking places, social assistance as well as transportation & warehousing sectors.

- As it is, officials are paying close attention to signs of a softening labour data and wage growth for its impact on consumer spending and demand-pull inflation. While higher job cuts announcements and mixed job openings data last week has clearly pointed to a cooling labour market, in our opinion, the job market has remained largely healthy and is thus, one of the reasons why the Fed is in no rush to cut rates at this juncture. The increases in hours worked and steady wage growth will also continue to support personal income growth and spending going forward. Accompanying data showed that the average weekly earnings slowed but has largely remained steady at +0.1% m/m and +4.3% y/y (Jan: +0.5% m/m and +4.4% y/y), while the average weekly hours picked up slightly to 34.3 (Jan: 34.2).

#### **Eurozone's final 4Q GDP and employment growth was left unchanged at 0% and +0.3% q/q**

- Eurozone's final 4Q GDP and employment growth was left unchanged at +0% q/q and +0.3% q/q respectively (3Q: -0.1% q/q and +0.2% q/q). Contribution to growth was negligible from consumer spending, positive from government final expenditure as well as investment and negative from inventories as well as net exports. Performance amongst its biggest economies were mixed, with Germany weakening to -0.3% q/q (3Q: 0%), Italy stable at +0.2% q/q while France picked up to +0.1% q/q (3Q: 0%).

#### **Japan's final 4Q GDP revised upwards and avoided a technical recession; leading index eased less than expected; Eco watchers outlook unexpectedly improved**

- Data this morning showed that the final 4Q annualized GDP was revised upwards to +0.4% q/q in 4Q (3Q: -3.3% q/q), reversing its initial estimate of -0.4% q/q and thereby avoided a technical revision. The upward revision was primarily driven by an upward revision in business spending to +2.0% q/q during the quarter (3Q: -0.6% q/q).
- Moving forward, mixed numbers from Japan suggests that economic growth remains tepid and that the BOJ will be careful when deciding to end its negative rates cycle (***OIS is assigning 63.8% probability of rate hike in the March meeting***). The Leading Index fell less than expected to 109.9 in January (Dec: 110.5), mainly due to declines in the new job offers and floor area, housing starts sub-indices. In tandem with this, the assessment of the coincident index was also revised downwards to "weakening" from "improving" previously. This is the first downgrade in 9 months.
- In contrast, the Eco Watchers Survey Outlook index unexpectedly improved to 53.0 in February (Jan: 52.5). This marks the fourth month of gain, albeit narrower led by business, both manufacturers and non-manufacturers and the household – housing segment.

#### **China's CPI rose for the first time since August 2023**

- Consumer prices (CPI) rose for the first time since August 2023 and more than expected by +0.7% y/y in February (Jan: -0.8% y/y), while the contraction in producer prices unexpectedly worsened to -2.7% y/y from -2.5% y/y respectively. The price rebound, while welcome news, was largely boosted by the temporary holiday demand boost from the Lunar New Year on both travel

and food prices, while the decline in PPI was partly due to slower industrial activities during the holiday period. As such, we view the uptick for the CPI as a blip, and expect PBoC to cut its RRR again this month, to bolster demand and fight deflationary pressures.

#### House View and Forecasts

FX	This Week	1Q-24	2Q-24	3Q-24	4Q-24
DXY	101-105	101.84	101.33	100.82	100.32
EUR/USD	1.08-1.11	1.10	1.11	1.11	1.10
GBP/USD	1.26-1.30	1.28	1.29	1.29	1.27
USD/JPY	145-150	142	140	137	134
AUD/USD	0.65-0.68	0.68	0.68	0.69	0.70
USD/MYR	4.67-4.73	4.69	4.66	4.62	4.56
USD/SGD	1.32-1.35	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
11-March	US NY Fed 1-Yr Inflation Expectations (Feb)	3.00%
11-18 Mar	CH FDI YTD YoY CNY (Feb)	-11.70%
12-Mar	JN PPI YoY (Feb)	0.20%
	JN BSI Large All Industry QoQ (1Q)	4.8
	AU NAB Business Conditions (Feb)	6
	MA Manufacturing Sales Value YoY (Jan)	-4.20%
	MA Industrial Production YoY (Jan)	-0.10%
	UK ILO Unemployment Rate 3Mths (Jan)	3.80%
	UK Payrolled Employees Monthly Change (Feb)	48k
	UK Weekly Earnings ex Bonus 3M/YoY (Jan)	6.20%
	US NFIB Small Business Optimism (Feb)	89.9
	US CPI Ex Food and Energy YoY (Feb)	3.90%
	US Real Avg Weekly Earnings YoY (Feb)	-0.10%

Source: Bloomberg

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