

11 June 2024

Global Markets Research

Daily Market Highlights

11 June: Sour sentiment in Europe after French election call

EUR led losses against USD and slid to its lowest in a month; selloffs in CAC 40 and bond markets

Quiet trading in the US equity and bond markets ahead of US FOMC and CPI prints

Faster growth in Malaysia's IPI despite festive breaks in April; labour market remains healthy

- The S&P 500 and Nasdaq Composite closed at fresh records in a quiet day of trading, ahead of the much-anticipated FOMC meeting and dot plot, as well as May's CPI later in the week. The broader market index advanced 0.3% d/d, Nasdaq gained 0.4% d/d while the Dow added 0.2% d/d. Amongst individual stocks, Nvidia shares added 0.8% d/d as the stock's 10-for-1 split took effect. Meta Platforms jumped 2.0%, while Southwest Airlines rallied 7.0% d/d after reports that activist Elliott Investment Management built a nearly \$2bn stake in the budget carrier.
- Trading elsewhere was choppy. European stocks closed lower after French President Emmanuel Macron called a snap election. The French CAC 40 was down 1.4% d/d, with bank shares falling sharply. Asian markets mixed, with a few markets closed for a holiday including China and Hong Kong and are set for a mixed open today following the futures.
- The US treasuries markets also saw small moves, with the 2Y yield down 1bps to 4.88%, but yields for 3-30Y increased between 0-4bps. The 10Y yield closed up 3bps to 4.47%. In Europe, French bonds lagged its peers on election risk premium, sending yields for the 10Y up 13bps for the French bonds and 3-11bps higher for its peers.
- In the forex market, the Dollar Index climbed 0.3% higher d/d to 105.15 at close. G10 currencies traded mixed, while regional currencies weakened against the Dollar. Amongst the G10, EUR led losses against the greenback amidst dented sentiment against the currency after the French election call, slumping 0.3% d/d to its 1-month low of 1.0765. In ECB speak, Christine Lagarde said that last week's cut in rates won't necessarily be followed by further rapid moves. Leading losses against regional currencies, meanwhile, were THB (-0.9% d/d), KRW (-0.8% d/d) and MYR (-0.7% d/d to 4.7230) due to a firm Dollar during the day after the strong NFP reading.
- In the commodities market, oil prices settled 2.5-2.9% d/d higher, recouping some losses from last week's sell-off. Lending some support to prices were news of additional sanctions on Iran's shipping sector, while OPEC, IEA and EIA are set to unveil their market outlooks later in the week.

New York Fed's inflation expectations lower at short term

- The New York Fed's 1Y inflation expectations declined slightly to 3.17% in May from 3.26% previously, held steady at 2.8% for the 3Y and picked up at the 5Y horizon to 3.0%. Accompanying data also showed that perceptions about households' current financial situations improved, with more respondents reporting being better off than a year ago. The percentage of respondents who expect to be financially the same or better off in 12 months rose to 78.1%, while the perceived probability that US stock prices

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	38,868.04	0.18
S&P 500	5,360.79	0.26
NASDAQ	17,192.53	0.35
Stoxx Eur 600	522.16	-0.27
FTSE 100	8,228.48	-0.20
Nikkei 225	39,038.16	0.92
CSI 300	3,574.11	-0.50
Hang Seng	18,366.95	-0.59
Straits Times	3,322.08	-0.26
KLCI 30	1,614.37	-0.22
FX		
Dollar Index	105.15	0.25
EUR/USD	1.0765	-0.33
GBP/USD	1.2731	0.09
USD/JPY	157.04	0.19
AUD/USD	0.6610	0.43
USD/CNH	7.2658	0.04
USD/MYR	4.7230	0.66
USD/SGD	1.3526	0.03
Commodities		
WTI (\$/bbl)	77.74	2.93
Brent (\$/bbl)	81.63	2.52
Gold (\$/oz)	2,307.70	0.11
Copper (\$\$/MT)	9,899.00	1.40
Aluminum(\$/MT)	2,572.00	-0.23
CPO (RM/tonne)	3,999.50	1.46

Source: Bloomberg, HLBB Global Markets Research

* Dated as of 7 June for CPO

will be higher increased to 40.5%, their highest readings since 2021.

Upswing in Eurozone's investor sentiment for the 8th month, but remained at weak levels

- The Sentix Investor Confidence increased more than expected to +0.3 in June (May: -3.6), its first non-negative since February 2022 and continuing with its recovery trend, albeit a slow one. The economic recovery is also continuing in Germany. At -26.3, the situation remains weak, while expectations are struggling to recover at +2.3.

Japan's Eco Watchers outlook suggests some weakness in the economy

- Eco Watchers Survey Outlook index unexpectedly fell for the third month to 46.3 in May (Apr: 48.5). All the sub-indices fell during the month, with notable declines observed for employment and household, signalling some weakness in the economy, although a moderate economic recovery is expected to continue going forward.

Malaysia's IPI growth picked up on faster growth from both export- and domestic-oriented production

- IPI picked up to increase 6.1% y/y in April (Mar: +2.4% y/y), shy of consensus estimate but above our house view. Despite the Hari Raya festive season, today's print is commendable and marked its fastest growth since Sept 2022, thanks to faster expansions in manufacturing and mining production while electricity output grew at a slightly softer pace of 7.6% y/y (Mar: +8.5% y/y). The manufacturing IPI gathered speed for the 2nd straight month to increase 4.9% /y in April (Mar: +1.3% y/y), its fastest pace in eleven months while growth in mining IPI doubled to 10.0% y/y (Mar: +4.9% y/y) boosted by bigger gains in both the crude oil and natural gas subindices. Meanwhile, a separate release showed manufacturing sales tracked IPI to increase at a faster pace of 5.7% y/y in April (Mar: +1.4% y/y).
- We continue to expect positive momentum in the underlying recovery, underpinned by anticipated expansion in both the domestic and export-oriented sectors. In addition to the upswing in the global tech cycle, a resilient US economy, uneven growth in China, as well as sustained growth outlook in the region benefitting from sustained domestic demand and trade diversion and production relocation, will all bode well for industrial production going forward. We are therefore maintaining our view for economic activities to pick up in the remaining quarters of the year, bringing full year GDP growth closer to the upper end of the official forecast range of 4-5%, at 4.9% for the whole of 2024. With imminent upside risk to inflation as the government finally kickstarted the fuel subsidy retargeting reform programme beginning today, we expect BNM to maintain the OPR at the current level of 3.00% despite upcoming policy easing by the Fed and other major central banks.
- Separate data showed that labour market indicators remained healthy, with jobless rate holding steady at 3.3% for the sixth consecutive month, its lowest since the pandemic era and the number of unemployed continued to fall by 0.04% m/m.
- Foreign reserves increased by \$0.3bn in 2H of the month to \$113.6bn as of end-May. This is sufficient to finance 5.4 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	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
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%
12-June	JN PPI YoY (May)	0.90%
	CH PPI YoY (May)	-2.50%
	CH CPI YoY (May)	0.30%
	UK Monthly GDP (MoM) (Apr)	0.40%
	US MBA Mortgage Applications	-5.20%
	US CPI Ex Food and Energy YoY (May)	3.60%
	US Real Avg Weekly Earnings YoY (May)	0.50%

Source: Bloomberg

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