

12 March 2024

Global Markets Research

Daily Market Highlights

12 March: Muted markets ahead of US inflation data

US one-year inflation expectations steady; higher for medium- and long-term

UST yields and DXY rose modestly; tech-fuelled rally cooled in the equities market

Upward revision to Japan GDP, stronger PPI, supports end of negative rates expectations

- The S&P 500 and Nasdaq fell for the second session in a row, sliding 0.1-0.4% d/d as traders largely await the CPI report due on Tuesday and amidst a pull-back in four of the "Magnificent Seven" group of tech stocks. Dow Jones was the outlier, gaining 0.1% d/d. As it is, consensus is expecting headline prices to hold steady at +3.1% in February, while core eases to +3.7% y/y from +3.9% y/y previously. Outside of tech, shares of Moderna rallied amidst notice of a new skin cancer trial with Merck.
- European markets also started the week broadly in the negative note, with Stoxx Eur 600 weighed down by tech stocks. Of note, shares of Austria's Raiffeisen Bank fell amid concerns that it could face US sanctions for doing business with Russia. Telecom Italia also slid on concerns over its higher debt in 2024. In Asia, Nikkei 225 led losses in the region, tumbling 2.2% d/d after the country averted a technical revision, thus paving the way for its central bank to raise rates. As it is, futures suggest that Asian stocks are poised for a mixed opening today.
- Led by the short-end, Treasury yields closed slightly higher across the curve in tune to 1-6bps. The 2Y rose 6bps to 4.54%, and the 10Y gained 2bps to 4.10%. Largely supporting higher Treasury yields overnight was the higher inflationary expectations for the medium and long term. 10Y European bond yields also closed up between 4-5bps save the UK and Norwegian bonds.
- The Dollar posted modest gains against most of its G10 peers as Treasury yields firmed in the run-up to the CPI report. Consequently, DXY closed up 0.2% d/d to 102.87. EUR depreciated slightly by 0.1% d/d against greenback, while GBP weakened 0.3% d/d as gilt yields were little changed. Overnight, BOE Catherine Mann commented that the UK inflation remains too strong for the central bank to meet its 2% target, fanning expectations that the BOE will be slower to cut rates than the Fed or ECB and lending some support for the currency. In contrast, JPY strengthened 0.1% d/d against USD, bolstered by an upward revision to Japan's 4Q GDP and expectations the Bank of Japan could exit negative rates at its policy meeting next week. Led by KRW, regional currencies also appreciated against the Dollar. SGD and MYR closed just above the flatline at 1.3304 and 4.6818 respectively, as traders largely stayed sideline ahead of the US CPI print.
- Oil prices closed mixed between -0.1% to +0.2% d/d as traders await the fresh round of February inflation data on the US front as well as monthly oil market reports from OPEC and the International Energy Agency this week.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	38,769.66	0.12
S&P 500	5,117.94	-0.11
NASDAQ	16,019.27	-0.41
Stoxx Eur 600	501.49	-0.35
FTSE 100	7,669.23	0.12
Nikkei 225	38,820.49	-2.19
CSI 300	3,589.26	1.25
Hang Seng	16,587.57	1.43
Straits Times	3,138.42	0.00
KLCI 30	1,544.71	0.31
FX		
Dollar Index	102.87	0.15
EUR/USD	1.0926	-0.12
GBP/USD	1.2814	-0.34
USD/JPY	146.95	-0.07
AUD/USD	0.6614	-0.15
USD/CNH	7.1799	-0.28
USD/MYR	4.6818	-0.04
USD/SGD	1.3304	-0.05
Commodities		
WTI (\$/bbl)	77.93	-0.10
Brent (\$/bbl)	82.21	0.16
Gold (\$/oz)	2,188.60	0.14
Copper (\$\$/MT)	8,653.00	0.86
Aluminum(\$/MT)	2,259.00	0.85
CPO (RM/tonne)	4,189.50	2.22

Source: Bloomberg, HLBB Global Markets Research
* Dated as of 8 March for CPO

US inflation expectations climbed for the medium and long term

- The New York Fed 1-year inflation expectations remains stable at 3.0% in February, but its medium- and long-term expectations climbed to 2.7% and

2.9% respectively (Jan: 2.4% and 2.5%), underscoring why officials want to see more evidence that inflation is moving sustainably towards the 2% target before cutting rates. Accordingly, anticipated price changes in the year ahead for medical care dropped to its lowest since September 2020, rent inflation fell 0.3ppts to 6.1% to its lowest in 3 years while those for gasoline rose.

Japan's producers accelerated; stagnant business conditions

- Data this morning showed that producer prices accelerated more than expected to 0.2% m/m and +0.6% y/y in February (Jan: 0% m/m and +0.2% y/y), mainly driven by costs of gas supply & electricity, nonferrous metals as well as chemicals and related products while the BSI Large All Industry index, used as a gauge for business conditions, fell to 0 in 1Q (4Q: +4.8). The headline index was weighed down by a contraction in the manufacturing sector (-6.4 vs +5.7) while the non-manufacturing sector moderated (+3.2 vs +4.4). Nonetheless, this index is expected to rebound to +2.9 and +5.9 in the next two quarters, coupled with the pick-up in prices and the recent upward revision in its 4Q GDP, supports view that the central will end its negative rates cycle soon.

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
12-March	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%
13-March	AU CBA Household Spending MoM (Feb)	3.10%
	UK Monthly GDP (MoM) (Jan)	-0.10%
	EC Industrial Production SA MoM (Jan)	2.60%
	US MBA Mortgage Applications	9.70%

Source: Bloomberg

Hong Leong Bank Berhad

Fixed Income & Economic Research, Global Markets
 Level 8, Hong Leong Tower
 6, Jalan Damanlela
 Bukit Damansara
 50490 Kuala Lumpur
 Tel: 603-2081 1221
 Fax: 603-2081 8936

HLMarkets@hibb.hongleong.com.my

DISCLAIMER

This report is for information purposes only and does not take into account the investment objectives, financial situation or particular needs of any particular recipient. The information contained herein does not constitute the provision of investment advice and is not intended as an offer or solicitation with respect to the purchase or sale of any of the financial instruments mentioned in this report and will not form the basis or a part of any contract or commitment whatsoever.

The information contained in this publication is derived from data obtained from sources believed by Hong Leong Bank Berhad ("HLBB") to be reliable and in good faith, but no warranties or guarantees, representations are made by HLBB with regard to the accuracy, completeness or suitability of the data. Any opinions expressed reflect the current judgment of the authors of the report and do not necessarily represent the opinion of HLBB or any of the companies within the Hong Leong Bank Group ("HLB Group"). The opinions reflected herein may change without notice and the opinions do not necessarily correspond to the opinions of HLBB. HLBB does not have an obligation to amend, modify or update this report or to otherwise notify a reader or recipient thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

HLB Group, their directors, employees and representatives do not have any responsibility or liability to any person or recipient (whether by reason of negligence, negligent misstatement or otherwise) arising from any statement, opinion or information, expressed or implied, arising out of, contained in or derived from or omission from the reports or matter.

Potential and actual conflict of interest may arise from the activities of HLB Group. HLB Group constitute a diversified financial services group. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, hedging transactions and other activities for their own account or the account of others. In the ordinary course of their business, HLB Group may effect transactions for their own account or for the account of their customers and hold long or short positions in the financial instruments. HLB Group, in connection with its business activities, may possess or acquire material information about the financial instruments. Such activities and information may involve or have an effect on the financial instruments. HLB Group have no obligation to disclose such information about the financial instruments or their activities.

The past performance of financial instruments is not indicative of future results. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Any projections or forecasts mentioned in this report may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information. No assurance can be given that any opinion described herein would yield favourable investment results. Recipients who are not market professional or institutional investor customer of HLBB should seek the advice of their independent financial advisor prior to taking any investment decision based on the recommendations in this report.

HLBB may provide hyperlinks to websites of entities mentioned in this report, however the inclusion of a link does not imply that HLBB endorses, recommends or approves any material on the linked page or accessible from it. Such linked websites are accessed entirely at your own risk. HLBB does not accept responsibility whatsoever for any such material, nor for consequences of its use.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. This report is for the use of the addressees only and may not be redistributed, reproduced or passed on to any other person or published, in part or in whole, for any purpose, without the prior, written consent of HLBB. The manner of distributing this report may be restricted by law or regulation in certain countries. Persons into whose possession this report may come are required to inform themselves about and to observe such restrictions. By accepting this report, a recipient hereof agrees to be bound by the foregoing limitations.