

12 June 2024

Global Markets Research

Daily Market Highlights

12 June: Investors await Fed meeting and inflation report

**Sell-off in banking stocks ahead of the FOMC decision; UST yields closed lower, DXY inched up
GBP strengthened amidst strong wage growth; signs of more cooling in the labour market
NOK, DKK, EUR led losses vs USD amidst political jittery; Sell-off in the European stock markets**

- Wall Street closed mixed, with Nasdaq and S&P 500 rallying 0.3-0.9% d/d to another fresh record, led upward by Apple shares. Shares of the iPhone maker surged to an all-time high after revealing its new AI system, supporting the technology sector, while financials were the laggards as shares of the largest banks like JP Morgan Chase and Bank of America slid ahead of the FOMC meeting today. In Europe, political unease weighed down on its equity markets, especially for banking stocks, while Asian equities traded mixed as investors awaited the FOMC's decision.
- Treasury yields closed lower across the curve after the 10Y auction saw strong demand, with the longer-term tenures outperforming in a bull flattener. The 2Y yield fell 5bps to 4.83% while the 10Y slid 6bps to 4.40%. Meanwhile, 10Y European bond yields fell 0-5bps across the curve.
- In the forex market, DXY rose to its high of 105.46 before retreating to close at 105.23 (+0.1% d/d). Still, it is above the 105-level for the second straight session and the highest since May. G10 currencies closed mixed against the Dollar with European currencies like NOK, DKK and EUR (-0.2 to -0.5% d/d) the laggards amidst political jitters, while NZD, GBP and CAD (0-0.3% d/d) were the leading gainers. Trading in regional currencies were mostly range bound ahead of the FOMC meeting, with JPY, CNH and SGD weakening by less than 0.1% d/d each against the greenback while MYR appreciated 0.1% d/d to 4.7190.
- Crude oil prices swung between gains and losses, before closing the day higher between 0.2-0.4% d/d as investors largely await the interest rate decision and dot plot by the Fed.

US small business optimism rose, but so did uncertainty

- The NFIB Small Business Optimism Index reached its highest reading of the year at 90.5 in May, a 0.8ppts increase m/m, above forecast but still below the historical average of 98 and one plagued with uncertainty. For the latter, the Uncertainty Index jumped 9 points to 85, its highest reading since November 2020, with inflation the top business concern amongst small business owners.

Signs of more cooling in the UK labour market, wage growth remains strong

- Latest data continue to show signs of more cooling in the labour market, with the number of vacancies still falling and unemployment rising, but with earnings growth relatively strong, it is thus unlikely an adequate impetus for the Bank of England to start cutting rates next week.
- The number of payrolled employees fell further by 3k in May (Apr: -36k), sending the unemployment rate to its highest in 2.5 years at 4.4% (Apr: 4.3%). Data also showed that companies are cutting back on hiring, with the number of vacancies falling 12k to 904k during the quarter, although still above pre-

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	38,747.42	-0.31
S&P 500	5,375.32	0.27
NASDAQ	17,343.55	0.88
Stoxx Eur 600	517.29	-0.93
FTSE 100	8,147.81	-0.98
Nikkei 225	39,134.79	0.25
CSI 300	3,542.88	-0.87
Hang Seng	18,176.34	-1.04
Straits Times	3,309.21	-0.39
KLCI 30	1,611.49	-0.18
FX		
Dollar Index	105.23	0.08
EUR/USD	1.0741	-0.22
GBP/USD	1.2740	0.07
USD/JPY	157.13	0.06
AUD/USD	0.6606	-0.06
USD/CNH	7.2717	0.08
USD/MYR	4.7190	-0.08
USD/SGD	1.3530	0.03
Commodities		
WTI (\$/bbl)	77.90	0.21
Brent (\$/bbl)	81.92	0.36
Gold (\$/oz)	2,307.50	-0.01
Copper (\$\$/MT)	9,759.00	-1.41
Aluminum(\$/MT)	2,533.50	-1.50
CPO (RM/tonne)	3,948.50	-1.28

Source: Bloomberg, HLBB Global Markets Research

* Dated as of 10 June for CPO

pandemic levels. Despite this, average weekly earnings (excluding bonuses) held steady and elevated, although below street estimate at 6.0% y/y for the 3-months ended April, partially supported by the hike in National Living Wage which kicked off during the month. Finance and business services sectors logged the largest wage increases, while the construction sector lagged.

Australia's business confidence and conditions deteriorated

- The NAB Business Confidence fell back into negative territory in May (-3 vs +2) as conditions (6 vs 7) continued to gradually soften, suggesting that the subdued economic activity in 1Q may continue into 2Q. The conditions index at this level is just below the long-run average, though the employment sub-component improved. There were falls in conditions across most consumer-facing sectors, including retail and recreation & personal services, while forward orders also remained negative.

Japan's PPI jumped more than expected

- Data this morning showed that producer prices (PPI) accelerated more than expected to +2.4% y/y and +0.7% m/m for the month of May (Apr: +1.1% y/y vs +0.5% m/m), with the m/m gain mainly driven by high costs for electricity as well as nonferrous metals, the latter due to higher metal prices during the month. As it is, this is largely in line with BOJ's view that prices will increase gradually, although the effects from past rise in import prices are expected to wane moving forward.

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
12-June	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%
13-June	US FOMC Rate Decision (Upper Bound)	5.50%
	AU CBA Household Spending MoM (May)	-1.00%
	UK RICS House Price Balance (May)	-5%
	JN BSI Large All Industry QoQ (2Q)	0
	AU Unemployment Rate (May)	4.10%
	EC Industrial Production SA MoM (Apr)	0.60%
	US Initial Jobless Claims	229k

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