

13 February 2024

## Global Markets Research

### Daily Market Highlights

# 13 Feb: Subdued markets ahead of the US CPI print

**US equity and bond markets closed mixed; DXY closed just above the flatline**

**Stable New York Fed inflation expectations and Japan's producer price inflation**

**Jump in China's new aggregate financing, driven by funding for infrastructure investment**

- US equity markets were quiet to open the week ahead of the much-anticipated CPI report on Tuesday as well as a spate of earnings this week. The 3 major indices closed mixed, with Dow Jones Industrial Average gaining 0.3% d/d while S&P 500 and Nasdaq slid between 0.1-0.3% d/d. Diamondback Energy was amongst the S&P 500 best performers during the day after announcing a merger with Endeavor Energy Resources, while Airbnb also added 4.2% d/d ahead of its earnings release. Other earnings also due this week include Coca-Cola, Kraft-Heinz and Marriott International.
- European markets closed slightly higher, with real estate and retailers leading gains. It was also a busy day on the deals front, with the family of Italian billionaire Massimo Moratti agreeing to sell their controlling stake in Saras and founding family of Tod's teaming up with a buyout firm L Catterton in an attempt to take the company private. Major Asian stock markets were closed for the Lunar New Year, but Nikkei 225 gained 0.1% d/d after having breached the 37k mark on an intra-day basis last week.
- Similarly, trading in the Treasury market was subdued ahead of the CPI data. Yields closed mixed across the curve, in tune to +/-1bps and with the 2Y and 10Y closing at 4.47% and 4.18% respectively. Meanwhile, 10Y European bond yields fell between 2-6bps save the Swedish bonds.
- DXY closed up 0.1% d/d at 104.17 as investors braced for data on the US inflation front today, while holidays in major Asian markets also kept markets relatively quiet. The greenback closed mixed between +/-0.2% d/d against all its G10 peers as well as regional currencies.
- In the commodities market, oil prices were little changed, closing mixed between -0.2% and +0.1% d/d on mixed geopolitical signals, with traders weighing increasing military presence in the Middle East against diplomatic efforts to alleviate the conflict.

#### Stable and milder inflation indicators in the US

- The New York 1Y a and 5Y inflation expectations were stable at 3.0% and 2.5% respectively in January, although expectations at the 3Y-ahead horizon softened slightly to 2.4% (Dec 2.6%), a 11-year low. Separately, US CPI rose less than initially thought in December (-0.1ppts to +0.2% m/m) although the November and October data was revised upwards. The Bureau of Labour Statistics, in its annual revision to CPI prints due to seasonal factors, also left the core CPI unchanged at +0.3% m/m, leaving the slowing inflation trend intact and does not shift our expectations on the timing of an anticipated Fed funds rate cut starting from 2Q of this year.

#### Key Market Metrics

	Level	d/d (%)
<b>Equities</b>		
Dow Jones	38,797.38	0.33
S&P 500	5,021.84	-0.09
NASDAQ	15,942.55	-0.30
Stoxx Eur 600	487.46	0.54
FTSE 100	7,573.69	0.01
Nikkei 225	36,897.42	0.09
CSI 300	3,364.93	0.64
Hang Seng	15,746.58	-0.83
Straits Times	3,138.30	-0.15
KLCI 30	1,512.28	-0.01
<b>FX</b>		
Dollar Index	104.17	0.06
EUR/USD	1.0772	-0.11
GBP/USD	1.2629	0.01
USD/JPY	149.35	0.04
AUD/USD	0.6531	0.11
USD/CNH	7.2152	-0.05
USD/MYR	4.7650	-0.16
USD/SGD	1.3447	-0.08
<b>Commodities</b>		
WTI (\$/bbl)	76.92	0.10
Brent (\$/bbl)	82.00	-0.23
Gold (\$/oz)	2,018.20	-0.25
Copper (\$\$/MT)	8,235.00	0.81
Aluminum(\$/MT)	2,227.00	0.50
CPO (RM/tonne)	3,947.00	1.26

Source: Bloomberg, HLBB Global Markets Research  
 \* Dated as of 8 Feb for CPO, CSI 300; 9 Feb for KLCI, STI, Hang Seng, USD/MYR

#### Australia's consumer confidence jumped on rate pause

- Westpac consumer confidence jumped to a 20-month high of 86 in February (Jan: 81). Although a reading below 100 suggests that sentiment is still firmly pessimistic and spending may remain weak, the uptick was buoyed by expectations that interest rates have peaked with additional support from prospects of broader income tax cuts later in the year.

#### Japan's producer price was unchanged

- January's PPI came in softer than expected and was unchanged on a m/m basis (Dec: +0.3% m/m). Largely contributing to the price increases during the month was electric, power, gas & water as well as electrical machinery & equipment, but these were offset by lower prices for agriculture, forestry and fishery products as well as petroleum and coal.

#### China's new aggregate financing jumped

- Monthly new aggregate financing surged more than expected to a historic high of 6.5tn yuan in January (Dec: +1.9tn) as household mortgage jumped +627bn yuan (Dec: +\$148bn) while new corporate funding grew 5.1tn yuan (Dec: +\$657bn yuan). The latter was driven by short-term loans and likely reflects funding for government-led infrastructure investment.

#### House View and Forecasts

FX	This Week	1Q-24	2Q-24	3Q-24	4Q-24
DXY	102-106	101.84	101.33	100.82	100.32
EUR/USD	1.06-1.09	1.10	1.11	1.11	1.10
GBP/USD	1.25-1.28	1.28	1.29	1.29	1.27
USD/JPY	146-151	142	140	137	134
AUD/USD	0.64-0.67	0.68	0.68	0.69	0.70
USD/MYR	4.73-4.80	4.69	4.66	4.62	4.56
USD/SGD	1.33-1.36	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
13-Feb	AU NAB Business Conditions (Jan)	7
	UK Payrolled Employees Monthly Change (Jan)	-24k
	UK Weekly Earnings ex Bonus 3M/YoY (Dec)	6.60%
	EC ZEW Survey Expectations (Feb)	22.7
	US NFIB Small Business Optimism (Jan)	91.9
	US Real Avg Weekly Earnings YoY (Jan)	0.50%
	US CPI Ex Food and Energy YoY (Jan)	3.90%
14-Feb	UK CPI Core YoY (Jan)	5.10%
	UK PPI Input NSA YoY (Jan)	-2.80%
	UK House Price Index YoY (Dec)	-2.10%
	EC GDP SA QoQ (4Q P)	0.00%
	EC Employment QoQ (4Q P)	0.20%
	EC Industrial Production SA MoM (Dec)	-0.30%
	US MBA Mortgage Applications	3.70%

Source: Bloomberg

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