

14 March 2024

## Global Markets Research

### Daily Market Highlights

## 14 March: Tech sector weighed on US equities

**The Dollar Index weakened; UST yields rose as investors weighed in on US CPI**

**ECB's Galhau said the ECB would probably start cutting rates in June rather than April**

**January GDP showed the UK economy started 2024 on a positive note**

- A decline in the technology sector, particularly as Nvidia dropped 1.1% d/d, dragged on the S&P 500 and Nasdaq, sending both indices slipping 0.2% and 0.5% d/d respectively. The 30-stock Dow remains the outlier, adding 0.1% d/d. Within S&P, four of the eleven sectors finished in the red, with the information technology sector leading the declines. Other than Nvidia, shares of AMD and Intel also fell. Shares of Dollar Tree and McDonald's retreated after the former reported quarterly losses and would close nearly 1k for its stores, and the latter after the fast-food joint said that lower-income consumers are eating at home more often. Looking ahead, investors will be getting a fresh look on how US consumers fared, with retail sales data on deck this week on top of February's producer price.
- European markets closed mostly higher as investors weighed on the latest US CPI print that largely met expectations and UK's GDP. Retail stocks led gains, with Germany's Zalando and Spain's Inditex among the top gainers after reporting results. Meanwhile, Asian markets closed mixed overnight and are set for a cautious open today after the drop in US technology stocks and amidst the jump in oil prices.
- Led by the shorter-end, Treasury yields climbed 3-5bps on Wednesday as investors considered the latest inflation data. The 2Y rose 5bps to close at 4.64%, while the 10Y edged up 4bps to 4.19%. 10Y European bond yields rose 2-7bps save for the Italian sovereign bonds.
- The Dollar traded within a narrow range and closed lower alongside most of its haven peers. DXY slid 0.2% d/d to 102.79, as most G10 peers strengthening against the greenback. EUR and GBP strengthened between 0-0.2% d/d, the latter after data showing Britain's economy returned to growth in January, and the former after ECB policymaker Francois Villeroy de Galhau said the ECB would probably start cutting rates in June rather than April. JPY weakened 0.1% d/d following BOJ Governor Kazuo Ueda's slightly bleaker assessment of the economy, but he also reiterated that the economy will recover gradually. Closer to home, most regional currencies depreciated against the Dollar, with SGD closing flat at 1.3323 while MYR weakened 0.2% d/d to 4.6860.
- Crude oil prices jumped by 2.6-2.8% d/d after data from the Energy Information Administration showing that US stockpiles fell for the first time in seven weeks and after a Ukrainian drone struck the Rosneft refinery, one of the biggest in Russia, underlining risks to production and fuel supplies.

### US mortgage rates dipped below 7%, boosting home purchases

- The dip in mortgage rates to below 7% sent mortgage applications rising for

#### Key Market Metrics

	Level	d/d (%)
<b>Equities</b>		
Dow Jones	39,043.32	0.10
S&P 500	5,165.31	-0.19
NASDAQ	16,177.77	-0.54
Stoxx Eur 600	507.33	0.16
FTSE 100	7,772.17	0.31
Nikkei 225	38,695.97	-0.26
CSI 300	3,572.36	-0.70
Hang Seng	17,082.11	-0.07
Straits Times	3,160.72	0.00
KLCI 30	1,538.13	-1.06
<b>FX</b>		
Dollar Index	102.79	-0.16
EUR/USD	1.0948	0.19
GBP/USD	1.2797	0.03
USD/JPY	147.76	0.05
AUD/USD	0.6621	0.23
USD/CNH	7.1935	0.09
USD/MYR	4.6860	0.17
USD/SGD	1.3323	0.00
<b>Commodities</b>		
WTI (\$/bbl)	79.72	2.78
Brent (\$/bbl)	84.03	2.58
Gold (\$/oz)	2,180.80	0.68
Copper (\$\$/MT)	8,927.00	3.12
Aluminum(\$/MT)	2,264.00	-0.04
CPO (RM/tonne)	4,211.00	0.61

Source: Bloomberg, HLBB Global Markets Research  
\* Dated as of 12 March for CPO

the second week, albeit at a softer pace of +7.1% w/w for the week ended March 8 (Mar 1: +9.7% w/w). Purchase application volume increased for the week (+4.7% w/w vs +10.6% w/w), but remains about 11% y/y lower, while refinance volume picked up by 12.2% w/w (Mar 1: +8.1% w/w) driven by the government refinance index. While these percentage increases are large, the level of refinance activity remains quite low and were largely due to borrowers who took out a loan at or near the peak of rates in the past two years.

#### **Eurozone's IPI fell more than expected**

- Industrial production (IPI) in the Euro bloc came in worse than expected, contracting by 3.2% m/m in January (Dec: +1.6% m/m). With its manufacturing PMI still contractionary, this suggests that the production sector and the economy as a whole will continue to register subdued growth in the near term, in line with the recent downward revisions in its GDP forecast by the ECB. The decline was led by a sharp drop in capital goods by 14.5% m/m, while consumer goods also fell. Performance amongst its largest economies, were nonetheless, mixed.

#### **UK's economy rebounded after slipping into technical recession**

- Matching expectations, real GDP posted modest growth of +0.2% m/m in January after December's -0.1% m/m contraction. The turnaround was services-led at +0.2% (Dec: -0.1% m/m), further supported by the construction sector (+1.1% m/m vs -0.5% m/m). Production output fell by 0.2% m/m (Dec: +0.6% m/m) underpinned by stagnant growth in the manufacturing sector (Dec: +0.8% m/m).
- The latest data suggests that the economy picked up in January with strong growth in retail and wholesaling as well as construction, leaving the British economy on track to growth in 1Q and bringing an end to its technical recession. Nonetheless, growth for the rest of the quarter is expected to remain modest on the back of cooling labour market and wages growth, as well as the impact from the past interest rate hikes trickle into the households as well as corporates.

#### **House View and Forecasts**

<b>FX</b>	<b>This Week</b>	<b>1Q-24</b>	<b>2Q-24</b>	<b>3Q-24</b>	<b>4Q-24</b>
DX	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

  

<b>Rates, %</b>	<b>Current</b>	<b>1Q-24</b>	<b>2Q-24</b>	<b>3Q-24</b>	<b>4Q-24</b>
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
14-March	HK PPI YoY (4Q)	3.00%
	HK Industrial Production YoY (4Q)	4.40%
	US Retail Sales Advance MoM (Feb)	-0.80%
	US PPI Final Demand YoY (Feb)	0.90%
	US Initial Jobless Claims	217k
15-March	CH 1-Yr Medium-Term Lending Facility Rate	2.50%
	CH New Home Prices MoM (Feb)	-0.37%
	UK BoE/Ipsos Inflation Next 12 Mths (Feb)	3.30%
	US Empire Manufacturing (Mar)	-2.4
	US Import Price Index YoY (Feb)	-1.30%
	US Industrial Production MoM (Feb)	-0.10%
	US U. of Mich. Sentiment (Mar P)	76.9
	US U. of Mich. 1 Yr Inflation (Mar P)	3.00%
	US U. of Mich. 5-10 Yr Inflation (Mar P)	2.90%

Source: Bloomberg

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