

15 February 2024

Global Markets Research
Daily Market Highlights

15 Feb: Wall Street recouped some of its losses

UK's inflation prints unexpectedly held steady; yields for UK gilts fell; GBP weakened
Japan slipped into technical recession; JPY strengthened amidst threats of intervention
Eurozone's economy stagnated in 4Q; Singapore maintained 1-3% GDP forecast for 2024

- The US equity markets clawed back some of the steep losses sparked by inflation fears in the previous session. Indices and sectors that were sensitive to interest rates led the rebound, with Nasdaq gaining 1.3% d/d. while the small-cap Russell 2000 advanced 2.4% d/d. Dow Jones and S&P 500 also gained 0.4% and 1.0% d/d respectively, with nine of the 11 sectors for the latter closing in green. On the corporate front, a “clerical error” in its earnings release triggered a wild ride in Lyft shares, sending the stock up by more than 60% at one point of time.
- Most Asian markets fell taking their cues from Wall Street’s rout in the previous session, but European markets rebounded with the FTSE100 outperforming after data showed that UK’s CPI rose less than expected. Homebuilders were amongst the biggest gainers for the latter.
- In the Treasury market, yields fell across the curve led by the front end. The 2Y fell 8bps to 4.58%, while the 10Y slid 6bps to 4.26%. Led by UK gilts, 10Y European bond yields slid between 2-11bps. The exception was Norwegian bonds which rose 6bps.
- DXY gave back some of its gains, sliding 0.2% d/d to 104.72, weakening against all its G10 peers save for the GBP and closing mixed against regionals. GBP gapped down against the greenback to an intraday low of 1.2536 after the softer-than-expected UK inflation before regaining some grounds to 1.2566 at close. The JPY strengthened 0.2% d/d to 150.58 amidst threats of intervention from Japanese officials. Closer to home, CNH and SGD closed 0.1-0.2% d/d stronger against USD, but MYR depreciated 0.5% d/d to 4.7865, its weakest close since Oct-23.
- Crude oil prices closed the day 1.4-1.6% d/d lower, paring gains from earlier in the session after US reported crude inventories swelled 12m barrels last week, its highest since December. OPEC’s top official, meanwhile, said that oil demand is expected to expand strongly in 2024, while its monthly outlook report showed limited compliance with the latest round of supply cuts.

US mortgage applications fell as 30Y mortgage rates rose to its highest since early December

- Mortgage applications fell 2.3% w/w for the week ended February 9 as mortgage rates moved higher across the board. The 30Y fixed mortgage rate rose to 6.87%, its highest since early December. Purchase applications remained subdued, partially weighed down by still-low existing housing inventory, while refinance applications declined and remained depressed, with rates still higher than a year ago.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	38,424.27	0.40
S&P 500	5,000.62	0.96
NASDAQ	15,859.15	1.30
Stoxx Eur 600	485.24	0.50
FTSE 100	7,568.40	0.75
Nikkei 225	37,703.32	-0.69
CSI 300	3,364.93	0.64
Hang Seng	15,879.38	0.84
Straits Times	3,139.07	-0.09
KLCI 30	1,529.33	-0.13
FX		
Dollar Index	104.72	-0.23
EUR/USD	1.0727	0.17
GBP/USD	1.2566	-0.21
USD/JPY	150.58	-0.15
AUD/USD	0.6491	0.59
USD/CNH	7.2243	-0.10
USD/MYR	4.7865	0.49
USD/SGD	1.3484	-0.20
Commodities		
WTI (\$/bbl)	76.64	-1.58
Brent (\$/bbl)	81.60	-1.41
Gold (\$/oz)	1,990.30	-0.13
Copper (\$\$/MT)	8,197.00	-0.76
Aluminum(\$/MT)	2,235.50	0.45
CPO (RM/tonne)	3,914.50	-1.55

Source: Bloomberg, HLBB Global Markets Research
 * Dated as of 13 Feb for CPO, 8 Feb for CSI 300

Eurozone's economy stagnated in 4Q; employment growth and IPI picked up

- The Euro-area economy stagnated at the end of 4Q, but December's IPI painted a more stable outlook for the manufacturing sector. GDP was left unchanged with zero growth in 4Q, meaning that the bloc avoided a technical recession after 3Q's -0.1% q/q. Industrial output, meanwhile, defied street estimates with a 2.6% m/m jump (Nov: +0.4% m/m), thanks to Ireland, Netherlands as well as Denmark. Output was boosted by a 20.5% m/m jump in capital goods and a rebound in production of durable consumer goods, but with the forward-looking indicator S&P PMI still contractionary, we still do not expect any meaningful acceleration for this sector soon. The labour market, meanwhile, remained resilient, with employment growth accelerating to 0.3% q/q (3Q: +0.2% q/q).

UK's CPI unexpectedly held steady; tempering inflation concern

- Stable price pressures and CPI miss will provide a relief to the Bank of England (BOE) following the sticky wage growth data earlier, do not change our view that price pressures will resume its downward trajectory and that the BOE will start cutting rates in 3Q. Producer prices (PPI), both input and output prices fell 3.3% y/y and 0.6% y/y in January (Dec: -2.1% y/y and +0.1% y/y), while headline and core consumer prices (CPI) unexpectedly held steady at +4.0% y/y and 5.1% y/y respectively. On a monthly basis, CPI fell by 0.6% m/m with the largest downward contribution coming from furniture & household goods as well as food & non-alcoholic beverages., while housing and household services costs remained elevated due to higher gas and electricity charges.
- The contraction in average UK house prices, as measured by the House Price Index, narrowed to 1.4% y/y in December (Nov: -2.3% y/y) while on a m/m basis, house prices recorded its first monthly increase of +0.1% m/m, suggesting that the housing market rout may have seen the worst.

Japan slipped into technical recession

- The contraction in 4Q GDP narrowed to -0.4% q/q (3Q: -3.3% q/q), although consensus had anticipated a 1.1% q/q growth during the quarter. Driving the GDP miss and weak growth during the quarter was continued but smaller contraction in private consumption and business spending, while net exports contribution to GDP turned positive at 0.2% (3Q: No change). With this, the economy effectively slipped into a recession and will cloud BOJ's path towards ending its negative rate policy.

Singapore's 4Q GDP revised downwards to +2.2% y/y and +1.2% q/q; MTI maintained 2024 GDP growth forecast at 1.0-3.0%

- Singapore's GDP grew by 1.1% y/y for the whole of 2023 and is expected to expand between 1.0% to 3.0% in 2024. For 4Q, growth was revised lower by 0.5ppt to +1.2% q/q and 0.6ppt to +2.2% y/y respectively (3Q: +1.0% q/q and +1.0% y/y), driven by downward revisions to the manufacturing and construction sectors. The manufacturing sector grew by 1.4% y/y, a turnaround from the 4.9% y/y contraction in 3Q, driven by output expansions in the electronics, transport engineering and chemicals clusters, while the construction sector grew by +5.2% y/y (3Q: +3.7% y/y), as both public and private sector construction output increased. Growth in the services sector, meanwhile, moderated to +2.0% y/y (3Q: y/y), with mixed performance across the sub-sectors.

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	
15-Feb	AU Employment Change (Jan)	-65.1k	
	AU CBA Household Spending MoM (Jan)	-3.90%	
	JN Industrial Production MoM (Dec F)	1.80%	
	UK Monthly GDP (MoM) (Dec)	0.30%	
	EC Trade Balance NSA (Dec)	20.3b	
	US Empire Manufacturing (Feb)	-43.7	
	US Retail Sales Advance MoM (Jan)	0.60%	
	US Import Price Index MoM (Jan)	0.00%	
	US Initial Jobless Claims	218k	
	US Industrial Production MoM (Jan)	0.10%	
	US NAHB Housing Market Index (Feb)	44	
	16-Feb	SI Non-oil Domestic Exports SA MoM (Jan)	-2.80%
		MA GDP Annual YoY	3.80%
UK Retail Sales Inc Auto Fuel MoM (Jan)		-3.20%	
US Building Permits MoM (Jan)		1.90%	
US New York Fed Services Business Activity (Feb)		-9.7	
US Housing Starts MoM (Jan)		-4.30%	
US PPI Final Demand YoY (Jan)		1.00%	
US U. of Mich. Sentiment (Feb P)	79		

Source: Bloomberg

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