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Global Markets Research

Daily Market Highlights

15 March: Hotter US producer prices heightened rate cut doubts

Sell-off in US stocks and bonds; DXY closed higher on dampened Fed rate cut bets
US retail sales rose less than forecast; jobless claims unexpectedly fell
All eyes on Japan's shunto wage negotiations; China's monetary policy decision

- The Dow Jones Industrial Average fell and snapped a 3-day winning streak after the release of the hotter-than-expected US producer prices (PPI) sent Treasury yields higher. The 30-stock Dow pulled back 0.4% d/d, while Nasdaq and S&P 500 ended the session 0.3% d/d lower each. The rise in yields weighed on interest-sensitive sectors like real estate. Technology stocks closed mixed, but Microsoft shares jumped 2.4% d/d to its all-time high, after the tech giant said that its artificial intelligence product Copilot for Security will be available worldwide next month, helping to cushion the stock indices.
- Similarly, European equity markets also closed mostly in the red, erasing early gains following the PPI print. Miners dragged on Stoxx Eur 600, while media and consumer stocks outperformed. Asian markets closed mixed after Wall Street's tech-fueled rally dissipated. Today, Asian markets are set for a downbeat open following US equities and bonds sell-off.
- Treasury yields surged between 6-10bps as the hotter PPI sowed rate cuts doubts. Futures are currently pricing in a 54.2% probability of a rate cut in June, down from 59.5% on Wednesday. The 2Y closed up 6bps to 4.69%, and the 10Y rose 10bps to 4.29%. Led by Italian sovereign bonds, 10Y European bond yields also rose between 5-11bps.
- Similarly, the Dollar strengthened post the PPI data, with all its G10 peers and most regional currencies weakening against greenback. DXY surged 0.6% d/d to close at 103.36. European currencies depreciated between 0.3-1.1% d/d against the Dollar, and JPY by 0.4% d/d. As it is, investors are focused on preliminary results of Japan's spring wage negotiations for impact on JPY, with several of the country's biggest companies having already agreed to meet union demands for pay increases. In Asia, MYR closed flat at 4.6860, while CNH and SGD weakened between 0.1-0.3% d/d.
- Oil jumped another 1.7-1.9% d/d after the International Energy Agency (IEA) warned of a supply deficit throughout 2024 instead of a surplus previously anticipated, assuming that OPEC+ continues with its output cuts in 2H of the year. At the same time, IEA also bolstered its forecasts for world oil demand growth by 110k to 1.3mb/d for 2024, on stronger US outlook and increased need for ship fuel following the diversion in shipping routes due to Hothi attacks in the Red Sea.

US PPI accelerated and topped forecasts; retail sales rebounded less than expected

- Fresh data on the inflation and labour front gives Fed officials more reasons to hold off on cutting rates even as retail sales points to softer consumer spending. Retail sales rebounded less than forecasts to +0.6% m/m for February after a steep drop of -1.1% m/m previously. Eight of the thirteen

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	38,905.66	-0.35
S&P 500	5,150.48	-0.29
NASDAQ	16,128.53	-0.30
Stoxx Eur 600	506.40	-0.18
FTSE 100	7,743.15	-0.37
Nikkei 225	38,807.38	0.29
CSI 300	3,562.22	-0.28
Hang Seng	16,961.66	-0.71
Straits Times	3,186.40	0.00
KLCI 30	1,543.75	0.37
FX		
Dollar Index	103.36	0.56
EUR/USD	1.0883	-0.59
GBP/USD	1.2753	-0.34
USD/JPY	148.33	0.39
AUD/USD	0.6581	-0.60
USD/CNH	7.2026	0.13
USD/MYR	4.6860	0.00
USD/SGD	1.3360	0.28
Commodities		
WTI ($/bbl)	81.26	1.93
Brent ($/bbl)	85.42	1.65
Gold ($/oz)	2,167.50	-0.61
Copper ($$/MT)	8,887.50	-0.44
Aluminum($/MT)	2,251.50	-0.55
CPO (RM/tonne)	4,221.00	0.24

Source: Bloomberg, HLBB Global Markets Research
** Dated as of 13 March for CPO*

categories posted increases, led by building material stores and auto dealers, the latter the strongest growth since May, while consumers cut back on spending in furniture outlets, health & personal care, clothing and e-commerce, suggesting more discerning spending. Control group sales, which is used to calculate GDP, was unchanged during the month (Jan: -0.3% m/m) signalling a softer economy in 1Q.

- Headline producer prices (PPI) registered its strongest growth since September 2023 and topped forecasts, accelerating to +1.6% y/y and +0.6% m/m (Jan: +1.0% y/y and +0.3% m/m). Core, which strips off food, energy & trade, also picked up slightly to +2.8% y/y but eased to +0.4% on a m/m basis (Jan: +2.7% y/y and +0.6% m/m). Nearly two-thirds of the rise in prices can be traced to goods (+1.2% m/m vs -0.1% m/m), its first increase in 5 months and mirroring CPI trend, while services moderated to 0.3% m/m (Jan: +0.5% m/m). The uptick in the goods category was mainly due to gasoline, further supported by price increases for diesel fuel, eggs, jet fuel, tobacco products, beef and veal.
- In a sign of labour market resilience, jobless claims unexpectedly fell 1k to 209k for the week ended March 9 (Mar 2: -3k), but continuing claims jumped 17k to 1811k the week prior (Feb 24: -11k).

Hong Kong's manufacturing sector softened in 4Q

- IPI softened to +4.1% y/y in 4Q (3Q: 4.3% y/y), although growths were recorded for all major manufacturing industries and led by food, beverages and tobacco. Production of metal, computer, electronic & optical products, machinery & equipment industry; paper products, printing & reproduction of recorded media industry and textiles & wearing apparel also grew. In tandem with the softer output, prices also moderated to +2.7% y/y from +3.0% y/y. Despite the softer production numbers, Hong Kong's GDP has in fact, accelerated to +4.3% y/y in 4Q (3Q: +4.1% y/y). Explaining this divergence is the strong services sector during the quarter, supported by resilient consumer spending as well as tourist arrivals.

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
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%
18-March	JN Core Machine Orders MoM (Jan)	2.70%
	UK Rightmove House Prices MoM (Mar)	0.90%
	SI Non-oil Domestic Exports SA MoM (Feb)	2.30%
	CH Retail Sales YTD YoY (Feb)	--
	CH Fixed Assets Ex Rural YTD YoY (Feb)	--
	CH Surveyed Jobless Rate (Feb)	--
	CH Industrial Production YTD YoY (Feb)	--
	MA Exports YoY (Feb)	8.70%
	HK Unemployment Rate SA (Feb)	2.90%
	EC CPI Core YoY (Feb F)	3.10%
	EC Trade Balance SA (Jan)	13.0b
	US New York Fed Services Business Activity (Mar)	-7.3
	US NAHB Housing Market Index (Mar)	48

Source: Bloomberg

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