15 April 2024

Global Markets Research

Daily Market Highlights

15 April: Risk-off mood amidst geopolitical worries

US equity markets and UST yields fell; US Dollar and oil prices rallied
UK's GDP grew in February; expected to pull out of technical recession in 1Q
Dampened growth outlook in China amid weak credit demand and external trade

- US equities sold off last Friday as inflation and geopolitical worries once again dented investor sentiment in Wall Street, while a broad decline in major bank shares also weighed on the market. The three major indices closed down 1.2-1.6% d/d with all the 11 sectors of S&P closing in the red. Some of the biggest banks reported earnings that were better than expected, but issued muted forecasts. Consequently, JPMorgan Chase shares declined more than 6%, Wells Fargo slipped 0.4% while Citigroup dropped 1.7% d/d.
- In Europe, trading in Stoxx Eur 600 was volatile because of the geopolitical uncertainty, although the index closed slightly higher by 0.1% d/d as miners and energy companies benefited from higher metal and crude oil prices respectively. UK markets jumped after the economy showed signs of a rebound from recession, while Hang Seng led losses in Asia ahead of the China trade data. Today, traders are expected to tread cautiously today amid escalation fear of Iran attacks on Israel.
- In the Treasuries market, risk aversion on reports of imminent attack from Iran on Israel bolstered haven bid, sending Treasuries rallying and yields down 5-8bps across the curve. 10Y European bond yields also fell between 5-12bps.
- The ongoing tension between Israel and Iran also triggered a safe-haven bid in the forex market. Consequently, DXY gained 0.7% d/d to 106.04, and amongst its G10 peers, risk-sensitive currencies like SEK and AUD depreciated the most against the greenback. KRW, SGD and MYR, meanwhile, led declines among weak Asian currencies on Friday amidst a buoyant Dollar.
- Crude oil prices headed back up 0.8% d/d as Israel reportedly prepared for attacks by Iran during the weekend, which could risk disruptions to supply from the oil producing region.

Elevated inflation rate weighed on US consumer sentiment

- The preliminary reading of April's University of Michigan Sentiment index fell more than expected to 77.9 from 79.4 the prior month. The downtick reflects a retreat in both the current and expectations sub-indices, as elevated inflation rate and uncertainty over the economy due to the upcoming election weighed on sentiment. For the former, year-ahead inflation expectations ticked up 0.2ppts to 3.1%, just above the 2.3-3.0% range seen in the two years prior to the pandemic, while long-run inflation expectations also edged up 0.2ppts to 3.0%.
- Import prices also increased for a third straight month and unexpectedly accelerated to +0.4% m/m in March (Feb: +0.3% m/m). The uptick was

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	37,983.24	-1.24
S&P 500	5,123.41	-1.46
NASDAQ	16,175.09	-1.62
Stoxx Eur 600	505.25	0.14
FTSE 100	7,995.58	0.91
Nikkei 225	39,523.55	0.21
CSI 300	3,475.84	-0.81
Hang Seng	16,721.69	-2.18
Straits Times	3,216.91	-0.33
KLCI 30	1,551.04	-0.16
FX		
Dollar Index	106.04	0.72
EUR/USD	1.0643	-0.77
GBP/USD	1.2452	-0.80
USD/JPY	153.23	-0.03
AUD/USD	0.6467	-1.09
USD/CNH	7.2673	0.16
USD/MYR	4.7705	0.48
USD/SGD	1.3614	0.61
Commodities		
WTI ($/bbl)	85.66	0.75
Brent ($/bbl)	90.45	0.79
Gold ($/oz)	2,356.20	0.06
Copper ($$/MT)	9,457.50	1.24
Aluminum($/MT)	2,494.00	1.63
CPO (RM/tonne)	4,500.00	0.30

Source: Bloomberg, HLBB Global Markets Research
** Dated as of 9 April for CPO*

driven by higher costs of energy products and food, but underlying imported inflation pressures were tame, as reflected by the non-fuel import prices decelerating to +0.1% m/m from +0.2% m/m previously.

UK expected to pull out of technical recession in 1Q

- Matching expectations, monthly GDP grew for the second month in February (+0.1% m/m vs +0.3% m/m), adding to evidence that the economy will most likely recover from its shallow recession in 2H of 2023. Manufacturing jumped 1.2% m/m (Jan: -0.2% m/m), much stronger than expected, with widespread growth and especially for the car sector. Services expanded by 0.1% m/m (Feb: +0.3% m/m), with public transport and haulage as well as telecommunication recording strong growths. On the other hand, the construction fell 1.9% m/m (Jan: +1.1% m/m) as the wet weather hampered many building projects.
- As it is, the latest data reaffirmed that the economy is turning a corner albeit slowly, further supported by drop in utility bills, recovery of real incomes and cut in the national insurance, but households will feel the pinch from the expiry of the fixed rate mortgage deal.

Strong rebound in Japan's core machinery orders

- Core machinery orders came much stronger than expected, rebounding to +7.7% m/m in February (Jan: -1.7% m/m) although orders fell 1.8% on a y/y basis (Jan: -10.9% y/y). The uptick was driven by an acceleration in the orders from the non-manufacturing sector (+9.1% m/m vs +6.5% m/m), while orders from manufacturing (+9.4% m/m vs -13.2% m/m) turnaround led by broad improvements in all sub-sectors. Of note, in a sign of sustainable demand for global semi-conductor are the double-digit growths for electrical machinery, information and communication electronics as well as automobiles.

Weak credit demand and dip in imports point to weak domestic demand in China; exports fell more than expected on high base

- A slew of soft economic data from China, a challenge to hopes that the economy is on a sustainable recovery to achieve the government's targeted 5% growth. On the external front, exports fell more than expected by -7.5% y/y in March after growing 7.1% y/y in the first two months of the year. The sharp pullback partly reflected a high base effect in March 2023 when the economy reopened after languishing under strict COVID-19 controls, but with the latest China PMIs and global demand turning more positive, we expect orders to pick up modestly later in the year. As it is, exports YTD have been driven by higher demand for steel products as well as manufactured foods like cars and semiconductors.
- In a sign of weak domestic demand, meanwhile, imports unexpectedly slipped 1.9% y/y following a 3.5% y/y gain in Jan-Feb, while credit expansion, using net new yuan loans as a benchmark, slowed slightly to 3.1tn yuan in March (Jan-Feb: 3.2tn yuan), reflecting a tailing off post Lunar New Year spending as well as still sluggish property market.

House View and Forecasts

FX	This Week	2Q-24	3Q-24	4Q-24	1Q-25
DXY	103-107	103.44	102.41	101.38	100.37
EUR/USD	1.06-1.09	1.09	1.10	1.08	1.07
GBP/USD	1.24-1.28	1.27	1.28	1.27	1.25
USD/JPY	150-155	148	145	142	140

AUD/USD	0.64-0.67	0.66	0.67	0.67	0.68
USD/MYR	4.73-4.79	4.68	4.63	4.56	4.49
USD/SGD	1.34-1.37	1.34	1.32	1.31	1.30

Rates, %	Current	2Q-24	3Q-24	4Q-24	1Q-25
Fed	5.25-5.50	5.25-5.50	4.75-5.00	4.50-4.75	4.50-4.75
ECB	4.50	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
15-April	CH 1-Yr Medium-Term Lending Facility Rate	2.50%
	EC Industrial Production SA MoM (Feb)	-3.20%
	US Empire Manufacturing (Apr)	-20.9
	US Retail Sales Advance MoM (Mar)	0.60%
	US NAHB Housing Market Index (Apr)	51
15-22 Apr	UK Rightmove House Prices MoM (Apr)	1.50%
16-Apr	CH New Home Prices MoM (Mar)	-0.36%
	CH GDP YoY (1Q)	5.20%
	CH Fixed Assets Ex Rural YTD YoY (Mar)	4.20%
	CH Industrial Production YTD YoY (Mar)	7.00%
	CH Retail Sales YTD YoY (Mar)	5.50%
	CH Surveyed Jobless Rate (Mar)	5.30%
	UK Average Weekly Earnings 3M/YoY (Feb)	5.60%
	UK ILO Unemployment Rate 3Mths (Feb)	3.90%
	UK Employment Change 3M/3M (Feb)	-21k
	EC ZEW Survey Expectations (Apr)	33.5
	EC Trade Balance SA (Feb)	28.1b
	US Building Permits MoM (Mar)	1.90%
	US Housing Starts MoM (Mar)	10.70%
	US New York Fed Services Business Activity (Apr)	0.6
	US Industrial Production MoM (Mar)	0.10%

Source: Bloomberg

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