

17 April 2024

Global Markets Research

Daily Market Highlights

17 April: Powell said lack of progress on the inflation front

Slightly hawkish tone sent USD, UST yields higher; global equities dented by war worries

IMF upgraded 2024 GDP growth forecast; seeing uneven growth across regions

China defied expectations with a pick-up in GDP growth; slowdown in March data prints

- The S&P 500 and Nasdaq slipped between 0.1-0.2% d/d after Federal Reserve Chair Jerome Powell struck a more hawkish tone, saying that there has been a lack of further progress on the inflation front, thus pointing to the further unlikelihood that interest rate cuts are in the offing anytime soon. The Dow Jones Industrial Average nonetheless gained 0.2% d/d, buoyed by UnitedHealth's 5.2% rally on the back of better-than-expected 1Q revenue. Banking earnings, meanwhile, earned mixed reviews from investors. Morgan Stanley shares advanced 2.5% d/d after showing a pick-up in investment banking revenue, but Bank of America tumbled 3.5% d/d after announcing profit fall.
- Meanwhile, European stocks closed lower in the shadow of the Middle East tension and on rate fears, with mining and banking stocks leading losses. Asian markets also sold off as the world awaits Israel's response to Iran's air assault over the weekend. Most major markets in Asia lost more than 1% d/d and futures point to a mixed open today.
- Treasury yields extended higher by 5-8bps across the curve amidst the ongoing repricing in FOMC policy trajectory, with Powell's remarks adding to the selloff in Treasuries. 10Y European bond yields, meanwhile, also increased between 2-10bps.
- The Dollar held on to gains, and strengthened against all its G10 peers and regional currencies. DXY increased another 0.1% d/d to 106.26, with SEK, AUD and NZD leading losses against the greenback, while on the regional front, IDR, KRW and TWD were the notable laggards. Of note, EUR was also weighed down by President Christine Lagarde's comments that the ECB will cut rates soon, barring any major surprises, added that the ECB would monitor oil prices very closely.
- Oil prices fluctuated in a narrow range and closed steady by +/-0.1% d/d as investors largely await Israel's response in the conflict.

IMF: Slow and steady global recovery; uneven growth across regions

- Key highlights from the latest World Economic Outlook: 1) The IMF raised its global growth forecast slightly for 2024, saying the economy had proved "surprisingly resilient" and its chief economist adding that the global economy is heading for a soft landing. 2) The IMF now expects global growth to hold steady at 3.2% in 2024 (+0.1ppts) and 2025, with a slight acceleration for advanced economies offsetting a modest slowdown in emerging and developing economies. The forecast for global growth 5 years from now, at 3.1%, is at its lowest in decades. 3) The pace of expansion is low by historical standards, owing to still-high borrowing costs, withdrawal of fiscal support and longer-term effects from the COVID-19 pandemic, Russia's invasion of Ukraine,

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	37,798.97	0.17
S&P 500	5,051.41	-0.21
NASDAQ	15,865.25	-0.12
Stoxx Eur 600	498.21	-1.53
FTSE 100	7,820.36	-1.82
Nikkei 225	38,471.20	-1.94
CSI 300	3,511.12	-1.07
Hang Seng	16,248.97	-2.12
Straits Times	3,144.76	-1.22
KLCI 30	1,535.00	-0.49
FX		
Dollar Index	106.26	0.05
EUR/USD	1.0619	-0.05
GBP/USD	1.2426	-0.16
USD/JPY	154.72	0.29
AUD/USD	0.6402	-0.62
USD/CNH	7.2644	0.07
USD/MYR	4.7957	0.33
USD/SGD	1.3650	0.15
Commodities		
WTI (\$/bbl)	85.36	-0.06
Brent (\$/bbl)	90.02	-0.09
Gold (\$/oz)	2,390.80	1.06
Copper (\$\$/MT)	9,468.00	-1.13
Aluminum(\$/MT)	2,561.50	0.25
CPO (RM/tonne)	4,307.50	-3.05

Source: Bloomberg, HLBB Global Markets Research

* Dated as of 15 April for CPO

weak productivity growth and increasing geoeconomic fragmentation. 4) Global inflation is forecast to decline steadily from 6.8% in 2023 to 5.9% in 2024 (+0.1ppts) and 4.5% in 2025 (+0.1ppts), with advanced economies returning to their inflation targets sooner than emerging and developing economies. Core inflation is generally projected to decline more gradually.

US IPI rose on manufacturing boost; housing data surprised on the downside

- Matching expectations, industrial output rose and held steady for a second month in March (+0.4% m/m), boosted by a larger than expected increase in manufacturing output (+0.5% m/m and +1.2% m/m). Coupled with the expansionary manufacturing PMI and ISMs recently, these reaffirmed stabilising signs in the manufacturing sector, with potential added boost from CHIPS and Science Act which could restore the semiconductor industry in the US going forward. Manufacturing output was boosted in part by a 3.1% m/m jump in motor vehicles and parts but excluding this, factory output would still have risen 0.3% m/m. In addition to autos and aircrafts, output of wood products and non-durable goods such as papers and chemicals also increased, while output of consumer goods rose the most since July.
- Housing starts and building permits fell more than expected, and to its lowest since August for the former as homebuilder sentiment levelled off. However, pent-up demand and the likelihood of a Fed rate cuts later this year should support building activity going forward. Housing starts fell 14.7% m/m in March (Feb: +12.7% m/m), while permits declined 4.3% m/m (Feb: +2.3% m/m), the latter as permits for single family homes dropped 5.7% m/m, bucking trend for a persistent uptrend since 2023.
- The New York Fed Services Business Activity index dipped slightly to -0.6 in April (Mar: +0.6), suggesting that activity remained steady but remains worse than normal. Weighing on the index were weak capital spending and slower selling price increases but looking ahead, firms remained moderately optimistic about future conditions.

Improved sentiment in Eurozone on better export prospects

- The ZEW Survey Expectations index for the euro area improved considerably to 43.9 in April (Mar: 33.5) while sentiment for its largest economy rose 11.2 points to 42.9 points. Driving the heightened optimism for the latter was improved assessments of the situation and economic expectations in its export destinations. As it is, separate data also showed that exports edged up 0.3% y/y in February (Jan: +1.3% d/d), while imports posted a sharp drop of 8.4% y/y (Jan: -16.0% y/y) due to energy and raw materials. Consequently, trade surplus widened to €23.6b during the month from €11.4b previously. Large driving exports during the month was demand from US, UK and Switzerland and for manufactured goods.

UK's unemployment rate jumped; vacancies fell but wage gain remained stubbornly high

- The latest health check showed tentative signs of a cooling UK labor market, with the unemployment rate jumping more than expected to a 6-month high of 4.2% in February (Jan: 4.0%), while March data showing that number of payrolled employees unexpectedly fell 67k (Feb: -18k). Vacancies and earning growths (+6.1%y/y vs +6.0% y/y) continued to fall, albeit at a reduced pace, with the former falling 13k to 916k in 1Q, although this remained above pre-pandemic level. While slower activity suggests wage growth should ease going forward, the February wage data will probably fan fears of persistence

inflation pressure and thus, explaining why we think policy makers will be reluctant to a shift in easing policy at the juncture.

Japan recorded its fourth month of growth for exports

- Trade data surpassed expectations, with exports decelerating to +7.3% y/y in March, while imports contracted -4.9% y/y (Feb: +7.8% y/y and +0.5% y/y). March marks the fourth consecutive month of expansion for the former, amidst resurgent demand from China and much needed boost to support the economy as domestic demand languishes. Amongst industries leading gains were the automakers and semiconductor sectors.

China defied expectations with a pick-up in GDP growth

- China's 1Q GDP bucked the consensus forecast for a softening, accelerating slightly to +5.3% y/y from +5.2% y/y the previous quarter. On q/q basis, the economy also grew by a stronger than expected pace of +1.6% y/y (4Q: upwardly revised to +1.2% y/y) bolstering expectations that the government can achieve its ambitious target of 5.0% this year (2023: +5.2% y/y). The government forecast is a tad higher than consensus estimate's +4.7% as well as IMF and ADB's projections of +4.8%.
- Accompanying data with the release showed mixed performance. IPI came below expectations at +4.5% y/y in March and +6.1% in 1Q (Jan-Feb: +7.0% y/y), while retail sales also undershot expectations at +3.1% y/y and +4.7% in 1Q (Jan-Feb: +5.5% y/y). Matching expectations, jobless rate eased to 5.2% (Feb: 5.3%). Fixed asset investments, on the other hand, topped street estimates with a +4.5% y/y growth despite the slump in property investment (-9.5% YTD). In a sign of stability albeit still weak property market is the slightly slower pace of contraction in new home prices (-0.34% m/m vs -0.36% m/m).

House View and Forecasts

FX	This Week	2Q-24	3Q-24	4Q-24	1Q-25
DX	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	4.76-4.80	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
17-April	SI Non-oil Domestic Exports SA MoM (Mar)	-4.80%
	AU Westpac Leading Index MoM (Mar)	0.08%
	UK CPI Core YoY (Mar)	4.50%
	UK PPI Input NSA YoY (Mar)	-2.70%
	UK House Price Index YoY (Feb)	-0.60%
	EC CPI Core YoY (Mar F)	2.90%
	US MBA Mortgage Applications	0.10%
18-April	US Federal Reserve Releases Beige Book	

AU NAB Business Confidence (1Q)	-6
AU Unemployment Rate (Mar)	3.70%
AU Employment Change (Mar)	116.5k
HK Unemployment Rate SA (Mar)	2.90%
EC Construction Output MoM (Feb)	0.50%
US Philadelphia Fed Business Outlook (Apr)	3.2
US Initial Jobless Claims	211k
US Leading Index (Mar)	0.10%
US Existing Home Sales MoM (Mar)	9.50%

Source: Bloomberg

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