

18 April 2024

Global Markets Research
Daily Market Highlights

18 April: Broadly risk-aversion drove US equities lower

US equities fell on tech stocks; Treasuries rallied; DXY retreated below 106-handle

UK's inflation eased to its lowest level since September 2021, but hotter than expected

Eurozone's CPI eased as expected; ECB's Nagel said that a June rate cut increasingly likely

- The S&P 500 dropped for a fourth straight session, as Nvidia and its fellow tech peers put downward pressure on the market. The broad index lost 0.6% d/d, while the technology-heavy Nasdaq slid 1.2% d/d. The Dow Jones Industrial Average fell at a narrower pace of 0.1% d/d. The fall largely reflects a more cautious market, after investors trimmed their expectations of Fed interest rate cuts and overshadowed some strong start to the earnings season. Notably, United Airlines surged more than 17% after posting earnings beat. Rivals American Airlines and Southwest Airlines also benefited from this, but shares of J.B. Hunt Transport Services dropped more than 8% after reporting weak results.
- European stocks closed slightly higher as LVMH's modest 1Q results and Adidas' surge on profit guidance offset tech's selloff. Asian markets closed mixed after the previous day's broad sell-off in the US markets, and is expected to mirror US equity blues today.
- Risk aversion helped Treasuries rallied, sending yields down 6-9bps. The 2Y yield closed down 6bps to 4.93% while the 10Y fell 8bps to 4.59%. 10Y European bond yields fell at a lesser pace of 2-4bps.
- The greenback weakened for the first time in 7 days after the Treasury yields fell. DXY fell 0.3% d/d to close at 105.95, off from its intraday high of 106.44 and lost ground against all of its G10 peers save for the NOK. NZD (+0.6% d/d) led G10 gainers against USD post its inflation print, while EUR and GBP strengthened between 0.2-0.5% d/d with the latter moving higher after British inflation slowed less than expected. JPY appreciated by 0.2% d/d after Japan's finance minister and top currency official emphasized that both the UK and Korea shared their concerns about the large falls in JPY after a World Bank/ IMF spring meeting in Washington. Regional currencies also closed mostly stronger against the Dollar, with KRW (+0.6% d/d), SGD (+0.3% d/d) and CNH (+0.3% d/d) the leading gainers.
- Oil fell more than 3.0% d/d as traders discounted Iran-Israel war risk, signalling rising doubt over its geopolitical risk premium.

Beige Book showed slight expansion in economic activity; US mortgage rates rose to a 4-month high

- Highlights from the latest Beige Book include: 1) Overall economic activity expanded slightly, on balance, since late February. 2) Consumer spending barely increased (a shift from inching down previously), with some weakness in discretionary spending and elevated price sensitivity. 3) Manufacturing activity declined slightly. 4) Residential construction increased a little and home sales strengthened in most Districts. 5) The economic outlook among contacts was cautiously optimistic, a shift from generally positive in its

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	37,753.31	-0.12
S&P 500	5,022.21	-0.58
NASDAQ	15,683.37	-1.15
Stoxx Eur 600	498.52	0.06
FTSE 100	7,847.99	0.35
Nikkei 225	37,961.80	-1.32
CSI 300	3,565.40	1.55
Hang Seng	16,251.84	0.02
Straits Times	3,154.69	0.32
KLCI 30	1,540.42	0.35
FX		
Dollar Index	105.95	-0.29
EUR/USD	1.0673	0.51
GBP/USD	1.2454	0.23
USD/JPY	154.39	-0.21
AUD/USD	0.6435	0.52
USD/CNH	7.2440	-0.28
USD/MYR	4.7930	-0.06
USD/SGD	1.3605	-0.33
Commodities		
WTI (\$/bbl)	82.69	-3.13
Brent (\$/bbl)	87.29	-3.03
Gold (\$/oz)	2,371.70	-0.80
Copper (\$\$/MT)	9,582.50	1.21
Aluminum(\$/MT)	2,587.00	1.00
CPO (RM/tonne)	4,265.00	-0.99

Source: Bloomberg, HLBB Global Markets Research
* Dated as of 16 April for CPO

previous Beige Book.

- Mortgage rates increased for the second week with the 30Y fixed reaching its highest level since December 2023 at 7.13%. Despite this, mortgage applications picked up by +3.3% w/w for the week ended April 12 (Apr 5: +0.1% w/w), possibly because some borrowers decided to act in case rates continue to rise. Purchase applications (+5.0% w/w vs -4.7% w/w) drove most of the increase, but remained at low levels of around 10% behind last year's pace. Refinance applications, meanwhile, increased slightly by +0.5% w/w (Apr 5: +9.9% w/w).

Broadly disinflation trend in the Eurozone

- Matching expectations, headline inflation eased to +2.4% y/y in March (Feb: 2.6% y/y), while core held steady at +2.9% y/y. Food prices acted as the main drag to the headline numbers, while energy prices moved in the opposite direction. Within core, non-energy industrial goods drove the big drop in prices while services remained stubbornly higher at 4.0% for 5 months. While prices could see some uptick in April due to higher energy prices, the latest data reaffirmed the disinflation trend and amidst a sluggish economy, we anticipate a cut in ECB rates as soon as June. In fact, ECB policymaker Joachim Nagel said overnight that a June rate cut looks increasingly likely, but there are 'still some caveats.'

UK's inflation eased to its lowest level since September 2021 but was hotter than expected

- UK's annual inflation slowed for the second month and to its lowest since September 2021, but with price prints higher than forecasts, core prints firmly above 4% and amidst stubborn wage growth and elevated oil prices, we expect policy makers will want to see stronger evidence of disinflation before starting to cut rates at this juncture. In this regard, BOE Andrew Bailey commented that the UK and the rest of Europe are facing less of an inflation threat than the US, thus opening the prospect of a rate cut before the Fed.
- Both headline and core inflation eased to +3.2% y/y and +4.2% y/y respectively in March (Feb: +3.4% y/y and +4.5% y/y), with food prices the main reason for the moderation, partially offsetting rising costs for housing and household services as well as motor fuels. Meanwhile, input and output producer prices have remained relatively stable since mid-2022 although substantially higher than their 2021 levels. Producer input prices contracted by 2.5% y/y while Producer output prices accelerated to +0.6% y/y in March (Feb: -2.2% y/y and +0.4% y/y). British house prices also fell by the least in 8 months in February, by -0.2% y/y (Jan: -1.3% y/y), further signs of stability in the housing market.

Australia's Leading Index suggests above-trend growth remains elusive for now

- The Westpac Leading Index fell 0.05% m/m in March (Feb: +0.06% m/m), and in tandem with this, the 6-months annualized growth rate worsened to -0.23% (Feb: -0.03%), suggesting that positive, above-trend growth may be elusive for some time yet. Driving the decline amongst the sub-components were a negative turnaround in commodity prices as well as steeper contractions in dwelling approvals and yield spreads.

Singapore's NODX shrank more than expected, partly due to high base effect

- Non-oil domestic exports (NODX) tumbled more than expected by 20.7% y/y in March (Feb: -0.2% y/y) from a high base a year ago driven largely by non-electronics, including pharmaceuticals, while electronics (-9.4% y/y vs +5.2% y/y) also declined. By destination, NODX to the top markets as a whole declined mainly due to the US, EU and Japan, though NODX to China grew. This suggests the road to further recovery this year remains a bumpy one.

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	4.76-4.80	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
18-April	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%
	19-April	JN Natl CPI YoY (Mar)
MA Exports YoY (Mar)		-0.80%
MA GDP YoY (1Q A)		3.00%
UK Retail Sales Inc Auto Fuel MoM (Mar)		0.00%

Source: Bloomberg

Hong Leong Bank Berhad

Fixed Income & Economic Research, Global Markets
 Level 8, Hong Leong Tower
 6, Jalan Damansara
 Bukit Damansara
 50490 Kuala Lumpur
 Tel: 603-2081 1221
 Fax: 603-2081 8936

HLMarkets@hbb.hongleong.com.my

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