

19 February 2024

**Global Markets Research**
**Daily Market Highlights**

## 19 Feb: Yet another hotter-than-expected US price print

**US stocks fell on upside surprises in US PPI; UST yields rose but DXY closed flat**

**China maintained 1Y MLF rate at 2.50%; UK retail sales rose by the most in nearly 3 years**

**A balanced FY2024 budget for Singapore; Malaysia's 4Q GDP growth ticked down to 3.0%**

- US equity markets hit the brakes again on Friday after yet another hot inflation report stoked fears that the Federal Reserve rate cuts may not happen until later this year. All the three indices closed down between 0.4-0.8% d/d after US producer prices (PPI), both headline and core, came in hotter than expected. Interest-sensitive technology and real estate stocks led indices lower while companies that reported earnings on late Thursday and Friday were a mixed bag. Shares of Applied Materials popped 6.4% d/d on bullish outlook, but food delivery service DoorDash dropped 8.1% d/d after its results failed to impress Wall Street.
- Stocks in Europe and Asia mostly rose, with Germany's DAX climbing to a new record, while Stoxx Eur 600 closed up 0.6% d/d with mining and media stocks outperforming while defensive stocks like utilities and telecoms lagged. Nikkei 225 hit a 34-year high as investors bet that the weak economy will cause the Bank of Japan to maintain its ultra-loose monetary policy.
- Treasuries yields climbed following the higher-than-expected PPI print. The 2Y yield closed up 7bps at 4.64%, while the 10Y yield rose 5bps to 4.28%. 10Y European bond yields also gained between 2-10bps.
- DXY spiked to 104.67 but the rally quickly fizzled out. DXY closed just below the flatline at 104.28, mixed against regionals but mostly weakened against its G10 peers, save for the JPY, CHF and CAD. Regionally, SGD depreciated 0.1% d/d against USD at 1.3471 while MYR and CNH appreciated by 0.1% d/d each to 4.7793 and 7.2128 respectively.
- Oil prices rallied between 0.7-1.5% d/d amidst escalated tension in the Middle East after Hezbollah chief threatened to escalate fights with Israel.

### China maintained 1Y MLF rate at 2.50%, smallest cash injection since August 2023

- As widely expected, the People's Bank of China kept its 1Y medium-term lending facility (MLF) rate unchanged at 2.50% and also made a small cash injection of 1b yuan into the banking system, its smallest injection since August. With this, the central bank is also expected to maintain the 1Y and 5Y loan prime rates at 3.45% and 4.20% respectively when they meet on February 20 and there is clearly the central bank's preference to avoid flooding the market with too much liquidity while waiting for the effects from its previous stimulus measures to trickle in.

### Hotter than expected PPIs for the US

- PPI, both headline and core, came in hotter than expected, rising by 0.3% m/m and +0.6% m/m respectively in January (Dec: -0.1% m/m and +0.2% m/m). The uptick during the month can be traced to a 0.6% m/m rise in prices for

### Key Market Metrics

	Level	d/d (%)
<b>Equities</b>		
Dow Jones	38,627.99	-0.37
S&P 500	5,005.57	-0.48
NASDAQ	15,775.65	-0.82
Stoxx Eur 600	491.59	0.62
FTSE 100	7,711.71	1.50
Nikkei 225	38,487.24	0.86
CSI 300	3,364.93	0.64
Hang Seng	16,339.96	2.48
Straits Times	3,221.94	1.42
KLCI 30	1,533.55	0.34
<b>FX</b>		
Dollar Index	104.28	-0.02
EUR/USD	1.0777	0.05
GBP/USD	1.2602	0.02
USD/JPY	150.21	0.19
AUD/USD	0.6531	0.09
USD/CNH	7.2128	-0.07
USD/MYR	4.7793	-0.07
USD/SGD	1.3471	0.10
<b>Commodities</b>		
WTI (\$/bbl)	79.19	1.49
Brent (\$/bbl)	83.47	0.74
Gold (\$/oz)	2,011.50	0.47
Copper (\$\$/MT)	8,489.00	2.10
Aluminum(\$/MT)	2,218.00	-0.29
CPO (RM/tonne)	3,980.00	0.04

Source: Bloomberg, HLBB Global Markets Research  
\* Dated as of 15 Feb for CPO, 8 Feb for CSI 300

services, while prices for goods fell 0.2% m/m. The 0.6% m/m rise for the former was the largest since July 2023, amongst others, boosted by higher costs in hospital outpatient care, legal services, portfolio and residential property management fees, partially reflecting strong wage growth over the past year and also the sticky nature of inflation. On a positive note, the cost of processed goods for intermediate demand, which reflects prices early in the production pipeline, fell for the fourth month.

- The University of Michigan Consumer Sentiment index solidified the large gains from the past two months, edging up slightly but less than expected to 79.6 in February (Jan: 79.0). Consumers expressed confidence that the slowdown in inflation and strength in labor markets would continue. For the former, 1Y inflation expectation inched up slightly to 3.0% (Jan: 2.9), while the 5Y remained at 2.9% for the third straight month.
- Both the building permits and housing starts unexpectedly fell 1.5% m/m and 14.8% m/m in February (Jan: +1.8% m/m and +3.3% m/m), with the latter to its lowest level in 5 months. This suggests that a recovery in the housing market will be gradual as rates remain elevated while builders continue to enjoy limited inventory in the existing market.
- The New York Fed Services Business Activity index continued to contract modestly, with the headline standing at -7.3 in February (Jan: -9.7). Employment held steady, wage and input increases picked up. While selling price increases were little changed. Looking ahead, firms were more optimistic as well.

#### **UK retail sales rose by the most in nearly three years**

- Retail sales rebounded more than expected by 3.4% m/m in January (Dec: -3.3% m/m), its largest monthly increase since April 2021. Sales increased in all sub-sectors except clothing stores, with food stores such as supermarkets contributing most to the increase. Moving forward, spending will be supported by the one-off cost of living payments in spring 2024, but a handful of households will face headwinds from increase in repayments this year as the fixed-rate mortgage deals expire.

#### **Singapore's NODX jumped partially attributable to low base effects; Expect a balanced budget FY2024**

- Partially benefiting from low base effects due to the timing of Chinese New Year last year, non-oil domestic exports (NODX) jumped more than expected by 16.8% y/y in January (Dec: -1.5 y/y), lifted by a surge in the shipment of non-electronic exports (+21.2% y/y vs +1.4% y/y) while electronic exports grew a paltry +0.7% y/y (Dec: -11.7% y/y). The former was driven by demand for specialised machinery, non-monetary gold and pharmaceuticals. NODX to the top markets as a whole also grew, mainly due to China, the US and Hong Kong, though NODX to the EU, Taiwan, Japan and Thailand declined. Moving forward, Singapore recently upgraded its 2024 forecast for NODX with "modest growth" projected in the year ahead and an expected recovery in electronics. NODX is now tipped to grow by 4-6% for the year.
- Key highlights for Budget 2024, titled "Building Our Shared Future Together" include: 1) A balanced fiscal position, with budget surplus of 0.1% of GDP (FY23: -0.5% of GDP). 2) Support for Singaporeans which includes measures like additional S\$600 in CDC vouchers for all households and personal income tax rebate of 50% for 2024 assessment year, capped at \$200, which should benefit middle income workers. 3) Introducing the SkillsFuture Level-Up Programme for those aged 40 and above as part of an upskilling effort. 4) To

support businesses and drive growth, there will be a 50% corporate income tax rebate, capped at S\$40k for 2024 assessment year, S\$3bn investment in research, innovation and enterprise as well as S\$1bn over 5 years for the National AI Strategy. 4) To build a resilient future, the government has established the Future Energy Fund with an initial S\$5bn injection, to invest in energy transition infrastructure

#### Malaysia's 4Q GDP growth eased to 3.0% y/y; full year 2023 growth at 3.7%

- The Malaysian economy grew at a slower pace of 3.0% y/y in the final quarter of 2023 (3Q: +3.3% y/y), below the preliminary and consensus estimates of +3.4% y/y. This was due to deceleration in growth momentum towards year end, as evident in the sharply slower expansion of a mere 1.4% y/y in December, its slowest in eight months, as a result of softness in services, manufacturing, and construction activities. On the demand side of the equation, the private sector lost steam, and was compounded by a bigger contraction in net exports, more than offset the quicker increases in government spending and investment. As a result, real GDP contracted 2.1% q/q in 4Q (3Q: +2.6% q/q), its first decline in a year.
- For 2023 as a whole, the Malaysian economy expanded by 3.7% y/y. This marked a normalization from the 8.7% y/y growth in 2022, but is poised to pick up to 4.7% in 2024, supported by export recovery and sustained domestic demand. Anticipated upswing in the global tech cycle, should help underpin external demand at least in 1H of the year.

#### 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	1.24-1.28	1.28	1.29	1.29	1.27
USD/JPY	146-152	142	140	137	134
AUD/USD	0.64-0.67	0.68	0.68	0.69	0.70
USD/MYR	4.74-4.80	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
19-Feb	JN Core Machine Orders MoM (Dec)	-4.90%
20-Feb	AU RBA Minutes of Feb. Policy Meeting	
	CH 5-Year Loan Prime Rate	4.20%
	CH 1-Year Loan Prime Rate	3.45%
	MA Exports YoY (Jan)	-10.00%
	HK Unemployment Rate SA (Jan)	2.90%
	EC Construction Output MoM (Dec)	-1.00%
	US Philadelphia Fed Non-Manufacturing Activity (Feb)	-3.7
	US Leading Index (Jan)	-0.10%

Source: Bloomberg

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