19 March 2024

Global Markets Research

Daily Market Highlights

19 March: All eyes on BOJ and RBA today

Alphabet and tech stocks lifted US equities; UST yields and DXY closed modestly higher
Mixed outlook for China despite IPI and fixed asset investment overshot expectations
Pullback in Malaysia and Singapore's exports a blip; E&E showed glimpses of turnaround

- Alphabet and other tech stocks lifted Wall Street on Monday, sending the 3 major equity indices up between 0.2-0.8% d/d. Alphabet shares rallied 4.6% d/d, while Apple gained 0.6% d/d after Bloomberg reported that Apple was in talks with Google to include the company's Gemini AI in iPhones. Nvidia shares also ticked up 0.7% d/d ahead of the unveiling of its latest generation of computing chips. Nonetheless, tech stocks were not the only gainer. Nine of the 11 sectors within S&P closed in the green.
- European stocks closed lower as investors stayed cautious ahead of big central bank week. Stoxx Eur 600 slipped 0.2% d/d, weighed down by telecoms and consumer stocks, while autos and rate-sensitive sectors gained. Nikkei 225 (+2.7% d/d) led gains in Asia on BOJ rate hike view, while CSI 300 gained 0.9% d/d after the better-than-expected IPI and FAI data. Today, Asian markets are set for a muted open ahead of a string of monetary policy decisions this week, starting with the Bank of Japan (BOJ) and Reserve Bank of Australia (RBA) today.
- Led by the longer end, Treasuries yields closed cautiously higher by less than 2bps across the curve ahead of the FOMC meeting. The 2Y edged up by less than 1bps to 4.73%, while the 10Y gained 2bps to 4.32%. With the exception of UK gilts and Italian bonds, 10Y European bond yields increased between 0-3bps.
- Higher Treasury yields and optimism over tech stocks boosted appetite for the Dollar, sending the DXY up 0.1% d/d to 103.58. The focus, nonetheless, remained on the upcoming policy decisions this week. All G10 and regional currencies weakened against greenback save for the Loonie and HKD. EUR and GBP depreciated by less than 0.2% d/d each, with the latter at risk of a pullback if the Bank of England joins its peers and turns dovish. JPY depreciated by 0.1% d/d despite expectations that the central bank will end its negative rate regime in today's meeting. CNH closed just below the flatline at 7.2061 after the bag of rather mixed key economic prints, while MYR and SGD weakened in tune to 0.1-0.2% d/d after their export numbers undershot expectations.
- Oil prices rallied 1.8-2.1% d/d following the Ukrainian drone strikes on Russian refineries over the weekend, heightening geopolitical tension and after a couple of key Chinese economic data beat estimates, boosting demand expectations.

US home builder sentiment, New York Fed services activity turned positive

- The NAHB Housing Market Index unexpectedly rose to 51 in March (Feb: 48), its highest since July 2023, its fourth consecutive monthly gain and the first time the index has surpassed the breakeven point of 50 since last July. All

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	38,790.43	0.20
S&P 500	5,149.42	0.63
NASDAQ	16,103.45	0.82
Stoxx Eur 600	503.94	-0.17
FTSE 100	7,722.55	-0.06
Nikkei 225	39,740.44	2.67
CSI 300	3,603.53	0.94
Hang Seng	16,737.12	0.10
Straits Times	3,171.93	0.00
KLCI 30	1,553.64	0.05
FX		
Dollar Index	103.58	0.14
EUR/USD	1.0872	-0.16
GBP/USD	1.2729	-0.05
USD/JPY	149.15	0.07
AUD/USD	0.6560	0.00
USD/CNH	7.2061	0.01
USD/MYR	4.7180	0.23
USD/SGD	1.3392	0.12
Commodities		
WTI ($/bbl)	82.72	2.07
Brent ($/bbl)	86.89	1.82
Gold ($/oz)	2,164.30	0.13
Copper ($$/MT)	9,089.00	0.19
Aluminum($/MT)	2,277.50	0.13
CPO (RM/tonne)	4,337.50	0.29

Source: Bloomberg, HLBB Global Markets Research
** Dated as of 15 March for CPO*

three of the major sub-indices posted gains. Moving forward, while easing mortgage rates is expected to draw buyers into the housing market, the sector will continue to grapple with several supply-side challenges, including a scarcity of buildable lots and skilled labor.

- New York services activity held steady, with the Fed Services Business Activity index turning positive for the first time and climbing to its highest in 7 months at +0.6 in March (Feb: -7.30). The turnaround was driven by a pick-up in the price sub-indices and looking ahead, firms remained moderately optimistic about future conditions, with the business climate expected to be better than normal in 6 months.

Lower energy imports supported trade surplus for the Eurozone

- The Eurozone's trade surplus narrowed to €11.4bn in January from December's +€16.8bn but was a turnaround from January 2023's deficit of €32.6bn. The turnaround y/y was largely due to a sharp drop in energy prices, which weighed on overall imports. Imports fell 16.1% y/y as energy imports plunged double digit, while exports grew a modest pace of 1.3% y/y, supported by demand in the chemicals sector as well as machinery and vehicles.
- Separately, February's final headline and core inflation prints were left unchanged at 2.6% y/y and 3.1% y/y respectively for January (Dec: 2.8% y/y and 3.3% y/y). Services inflation remained sticky at 4.0% y/y, underscoring ECB's pause stance for now, while food, alcohol & tobacco inflation eased sharply to +3.9% y/y (Jan: +5.6% y/y). Energy costs, nonetheless, pushed up prices, contracting at a smaller pace of-3.7% y/y as compared to January's -6.1% y/y.

China kicked off the year on a mixed note

- Key economic data was mixed. IPI and fixed asset investment (FAI) rose 4.2% y/y and +7.0% y/y for the period January-February, better than consensus forecast but consumption, using retail sales as a gauge, came slightly more muted than expected at 5.5% y/y as jobless rate rose to 5.3%. The strong investment and production figures add to evidence that the economy is gaining traction after policy makers ramped up its stimulus measures recently, while consumption and the property sector remained a weak spot and will continue to pose headwinds to Beijing's 5% growth target for 2024. The People's Bank of China (PBoC) is set to meet this week, and consensus is expecting the central bank to maintain its 1Y and 5Y loan prime rates unchanged at 3.45% and 3.95% respectively, but eyeing a potential cut in RRR to bolster demand and fight deflationary pressures.

Hong Kong's unemployment rate steadied at 2.9%

- Unemployment rate remained low and steady at 2.9% in February, while the underemployment rate also remained unchanged at 1.0%. Moving forward, the labour market is expected to stay tight in the near term along with continued growth of the local economy, further boosted by government's efforts to support the employment market like the large-scale job fair, "Exploring New Opportunities Job Fair."

Singapore's NODX disappointed despite stronger E&E exports

- Non-oil domestic exports (NODX) unexpectedly slipped 0.1% y/y in February. This is in contrast with the 4.7% y/y median growth forecast and a reversal from the 16.7% y/y in January. NODX was dragged down by a decrease in the non-electronics exports (-1.5% y/y vs +21.1% y/y), in particularly for food preparations, specialty chemicals and electrical circuit apparatus, while electronics expanded by 5.2% y/y (Jan: +0.6% y/y). By destination, NODX to the top markets as a whole rose, mainly due to Hong Kong, the US and Indonesia, though NODX to Japan, Malaysia, Taiwan, EU, Thailand, South Korea and China declined.

- The January-February data is largely due to distortion from seasonal effects and while undershooting expectations, we reiterate our view that external demand for Singapore and the electronics and electrical (E&E) sector has bottomed out and is set for a recovery path. Supporting our view, is the global semiconductor sales recording its fifth consecutive month of expansion and at its strongest rate since May 2022 at +15.2% y/y in January (Dec: +18.7% y/y), while regional peers like Taiwan and South Korea have started to register double-digit growths for exports of E&E recently. Singapore also upgraded its 2024 NODX forecast to growth of 4-6% recently.

Pullback in Malaysia's exports and imports just a blip

- Exports came in weaker than expected, contracting again by 0.8% y/y in February (Jan: +8.7% y/y), but imports moderated less than expected, to 8.4% y/y during the month (Jan: +18.7% y/y), skewed by seasonal factors and hence should not raise the alarm bell. Forward looking indicator namely, the 14.3% y/y increase in intermediate goods imports, the third straight month of double-digit expansion, signalled exports recovery remains forthcoming in the months ahead. Trade surplus however remained near its pandemic-low levels, albeit ticking up a tad to RM10.9bn in February (Jan: RM10.2bn), likely to continue keeping a lid on overall growth and current account balance in 1Q.
- The hiccups in February trade numbers are not expected to have any significant dent on exports outlook. We maintain our view for exports to return to positive growth trajectory again in the months ahead riding on an upcycle in the global tech industry, recovery in global trade and steady commodity prices. This shall help underpin our expectation for GDP growth to pick up to 4.7% this year, barring severe external shocks.

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	1.07-1.11	1.10	1.11	1.11	1.10
GBP/USD	1.26-1.29	1.28	1.29	1.29	1.27
USD/JPY	144-150	142	140	137	134
AUD/USD	0.64-0.68	0.68	0.68	0.69	0.70
USD/MYR	4.65-4.72	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
19-March	AU RBA Cash Rate Target	4.35%
	JN Industrial Production MoM (Jan F)	-7.50%
	EC ZEW Survey Expectations (Mar)	25
	EC Labour Costs YoY (4Q)	5.30%
	US Building Permits MoM (Feb)	-1.50%
	US Housing Starts MoM (Feb)	-14.80%
	JN BOJ Policy Balance Rate	-0.10%
20-March	CH 5-Year Loan Prime Rate	3.95%
	CH 1-Year Loan Prime Rate	3.45%
	UK CPI Core YoY (Feb)	5.10%
	UK PPI Input NSA YoY (Feb)	-3.30%
	UK House Price Index YoY (Jan)	-1.40%
	EC Construction Output MoM (Jan)	0.80%
	US MBA Mortgage Applications	7.10%
	EC Consumer Confidence (Mar P)	-15.5

Source: Bloomberg

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