19 April 2024

Global Markets Research

Daily Market Highlights

19 April: Hawkish Fed comments sent UST yields and USD higher

Fed Williams "mentioned" rate hike; mixed US data signals patchy outlook ahead
ECB officials point to potential rate cut in June; BOE's Greene said rate cuts not imminent
Japan's inflation eased but still above 2%; all eyes on Malaysia's advance 1Q GDP today

- US equity markets mostly slumped as investors continued to rebalance their portfolios for prospects of a higher-for-longer interest rate stance. The S&P 500 slipped for a fifth straight day, losing 0.2% d/d, while Nasdaq fell 0.5% d/d and Dow Jones inched up 0.1% d/d respectively. There was a flurry of corporate earnings reports and economic data released during the day, the latter continued to show strength in the labour market and rising business activity in the Philadelphia district. Quarterly results drove big moves during the day, and this includes Genuine Parts, NAPA Auto Partners and Alaska Air on the positive, and Equifax and Snap-on the negative.
- European markets closed slightly higher on some solid earnings, with banks and utility stocks outperforming while rate jitters weighed on tech stocks. Asian markets climbed, shaking off the previous day's wobble but are set to retreat today following the futures and after hawkish Fed comments.
- In the Treasury market, the 2Y yields rose close to 5.00%, following data indicating strength in the Philadelphia manufacturing sector and a mere mention of a Fed rate hike by Fed President John Williams, although this was not his base case. Both the 2Y and 10Y rose 5bps each to 4.99% and 4.63% respectively. 10Y European bond yields increased mildly between 1-3bps, save the Norwegian and Swedish sovereign bonds.
- The Dollar closed modestly firmer against nearly all its G10 peers, driven by the higher Treasury yields and hawkish comments from both Williams and his fellow President Raphael Bostic and consequently, the DXY closed up 0.2% d/d at 106.15. European currencies depreciated between 0.1-0.3% d/d against the greenback, with EUR weighed down by ECB members Olli Rehn and Fabio Panetta's comments pointing to potential rate cuts in June, while in the UK, BOE's Megan Greene said that she does not think rate cuts are imminent. JPY remained 0.2% d/d weaker after Finance Minister Shunichi Suzuki said that foreign exchange was not on the G20 agenda in Washington, but added that Japan is maintaining communications with the US and South Korea on the FX market. Regional currencies closed mixed against the greenback, with CNH and SGD weakening in tune to 0.1% d/d, while MYR appreciated by 0.2% d/d.
- Crude oil prices closed mixed between -0.2% to +0.1% d/d as investors weighed the threats in the Israel and Iran war and a strong Dollar. US sanctions were in focus, with the Biden administration reimposing restrictions on Venezuela, while new sanctions on Iranian oil are slated for floor vote this week.

Mixed data from the US suggest a still uncertain and patchy outlook

- The Leading Index (LEI) weakened more than expected by -0.3% m/m in March (Feb: +0.2% m/m), while the LEI contracted by a smaller pace of 2.2% for the

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	37,775.38	0.06
S&P 500	5,011.12	-0.22
NASDAQ	15,601.50	-0.52
Stoxx Eur 600	499.70	0.24
FTSE 100	7,877.05	0.37
Nikkei 225	38,079.70	0.31
CSI 300	3,569.80	0.12
Hang Seng	16,385.87	0.82
Straits Times	3,187.66	1.05
KLCI 30	1,544.76	0.28
FX		
Dollar Index	106.15	0.19
EUR/USD	1.0643	-0.28
GBP/USD	1.2436	-0.14
USD/JPY	154.64	0.16
AUD/USD	0.6421	-0.22
USD/CNH	7.2496	0.08
USD/MYR	4.7855	-0.16
USD/SGD	1.3622	0.12
Commodities		
WTI ($/bbl)	82.73	0.05
Brent ($/bbl)	87.11	-0.21
Gold ($/oz)	2,382.30	0.45
Copper ($$/MT)	9,734.50	1.59
Aluminum($/MT)	2,614.50	1.06
CPO (RM/tonne)	4,154.50	-2.59

Source: Bloomberg, HLBB Global Markets Research
** Dated as of 17 April for CPO*

6-month period ending March (Prior: -3.4%). Negative contributions from the yield spread, new building permits, consumers' outlook on business conditions, new orders, and initial unemployment insurance claims drove March's decline. With the LEI's 6-month and annual growth rates remain negative, albeit at a slower pace, this suggests a fragile, if not recessionary, outlook for the economy.

- Existing-home sales slipped in March, falling more than expected to 4.3% m/m (Feb: +9.5% m/m) while y/y sales fell 3.7%, as elevated mortgage rates kept buyers on the sideline. Median home prices, nonetheless, rose 4.8% y/y to $393.5k, its highest price ever for the month of March and kept elevated by low inventory levels, pent up demand and a resilient labour market. The inventory of unsold existing homes grew by 4.7% m/m and 14.4% y/y to 1.11m, equivalent to 3.2 month of supply at the current monthly sales pace (Feb: 2.9 months) and below the 5-month benchmark indicative of a tight market.
- The number of Americans filing new claims for unemployment benefits was unexpectedly unchanged at low levels of 212k for the week ended April 13 (Apr 6: -10k), pointing to continued labor market strength and low rate of layoffs during the month. Continuing claims, meanwhile, were also little changed at +2k to 1.81m the week prior (Mar 30: +21k). A much cooler labour market in certain states, nonetheless, suggests a more diverse and less sanguine outlook as compared to the headline number.
- The Philadelphia Fed Business Outlook index rose more than expected to 15.5 in April (Mar: 3.2), its third consecutive positive reading and the highest in 2 years. New orders and shipments all rose, employment index remained negative while price indices suggest overall price increases. Most future activity indicators declined but continue to suggest that firms expect growth over the next six months.

Eurozone's construction output grew for the third month

- Construction output grew for a third straight month in February and at a stronger pace of +1.8% m/m (Jan: +0.2% m/m), mainly led by civil engineering works and rebound in building construction.

Still tight labour market in Australia; business conditions remained resilient

- 1Q data showed that business conditions remained resilient at above-average level, with the NAB Business Conditions index holding steady at +10, while confidence remained weak but showed some improvement (+4ppts to -2). Nonetheless, mixed forward looking indicators and cost growth measures suggests that firms expect some further moderation in conditions going forward.
- Recent indicators in the labour market, meanwhile, point to a still tight market although the growth rate in employment and hours worked were much slower than in late-2022 and early-2023s. Employment fell by 6.6k positions in March, but this followed a blowout +117.6k surge in February. The outcome was weaker than expected, lifting the unemployment rate up to 3.8% (Feb: 3.7%). Hours worked also climbed further (+0.9% m/m vs +2.9% m/m) despite a backdrop in weak demand and drop in jobs ads, while the employment-to-population ratio stayed above 64% since June 2022, almost 2ppts above its pre-pandemic level.

Hong Kong's unemployment rate remained low but unexpectedly rose to 3.0%

Unemployment rate unexpectedly inched up to 3.0% in March (Feb: 2.9%). Nonetheless, the unemployment rate at this level remained low in general and the labour market will likely stay tight in the near term as the economy expands. Broad-based increases in unemployment were observed across major economic sectors, and notably for foundation & superstructure sector; retail, accommodation & food services sector and professional & business.

Japan's inflation cooled ahead of BOJ meeting next week

- Data this morning showed that inflation came softer than expected, with headline unexpectedly eased to +2.7% y/y while core slowed more than expected to +2.6% y/y in March (Feb: +2.8% y/y for both). Potentially driving the softer prices during the month was soft domestic demand environment, as reflected by the softer prices for consumer goods like household goods as well as clothing & footwear.
- The central bank is set to meet next week and expectations is that they will maintain status quo, but the OIS is pricing in a 76% chance of a 10bps rate hike in September as the pace of inflation has stayed above the BOJ's target of 2% and on the back of the bigger than expected wage hike recently.

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
19-April	MA Exports YoY (Mar)	-0.80%
	MA GDP YoY (1Q A)	3.00%
	UK Retail Sales Inc Auto Fuel MoM (Mar)	0.00%
22-April	AU Judo Bank Australia PMI Mfg (Apr P)	47.3
	AU Judo Bank Australia PMI Services (Apr P)	54.4
	UK Rightmove House Prices MoM (Apr)	1.50%
	CH 5-Year Loan Prime Rate	3.95%
	CH 1-Year Loan Prime Rate	3.45%
	MA Foreign Reserves	$113.8b
	UK CBI Trends Total Orders (Apr)	-18
	UK CBI Business Optimism (Apr)	-3
	US Chicago Fed Nat Activity Index (Mar)	0.05
	EC Consumer Confidence (Apr P)	-14.9

Source: Bloomberg

Hong Leong Bank Berhad
Fixed Income & Economic Research, Global Markets
Level 8, Hong Leong Tower
6, Jalan Damanlela
Bukit Damansara
50490 Kuala Lumpur
Tel: 603-2081 1221
Fax: 603-2081 8936
HLMarkets@hlbb.hongleong.com.my

DISCLAIMER

This report is for information purposes only and does not take into account the investment objectives, financial situation or particular needs of any particular recipient. The information contained herein does not constitute the provision of investment advice and is not intended as an offer or solicitation with respect to the purchase or sale of any of the financial instruments mentioned in this report and will not form the basis or a part of any contract or commitment whatsoever.

The information contained in this publication is derived from data obtained from sources believed by Hong Leong Bank Berhad ("HLBB") to be reliable and in good faith, but no warranties or guarantees, representations are made by HLBB with regard to the accuracy, completeness or suitability of the data. Any opinions expressed reflect the current judgment of the authors of the report and do not necessarily represent the opinion of HLBB or any of the companies within the Hong Leong Bank Group ("HLB Group"). The opinions reflected herein may change without notice and the opinions do not necessarily correspond to the opinions of HLBB. HLBB does not have an obligation to amend, modify or update this report or to otherwise notify a reader or recipient thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

HLB Group, their directors, employees and representatives do not have any responsibility or liability to any person or recipient (whether by reason of negligence, negligent misstatement or otherwise) arising from any statement, opinion or information, expressed or implied, arising out of, contained in or derived from or omission from the reports or matter.

Potential and actual conflict of interest may arise from the activities of HLB Group. HLB Group constitute a diversified financial services group. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, hedging transactions and other activities for their own account or the account of others. In the ordinary course of their business, HLB Group may effect transactions for their own account or for the account of their customers and hold long or short positions in the financial instruments. HLB Group, in connection with its business activities, may possess or acquire material information about the financial instruments. Such activities and information may involve or have an effect on the financial instruments. HLB Group have no obligation to disclose such information about the financial instruments or their activities.

The past performance of financial instruments is not indicative of future results. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Any projections or forecasts mentioned in this report may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information. No assurance can be given that any opinion described herein would yield favourable investment results. Recipients who are not market professional or institutional investor customer of HLBB should seek the advice of their independent financial advisor prior to taking any investment decision based on the recommendations in this report.

HLBB may provide hyperlinks to websites of entities mentioned in this report, however the inclusion of a link does not imply that HLBB endorses, recommends or approves any material on the linked page or accessible from it. Such linked websites are accessed entirely at your own risk. HLBB does not accept responsibility whatsoever for any such material, nor for consequences of its use.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. This report is for the use of the addressees only and may not be redistributed, reproduced or passed on to any other person or published, in part or in whole, for any purpose, without the prior, written consent of HLBB. The manner of distributing this report may be restricted by law or regulation in certain countries. Persons into whose possession this report may come are required to inform themselves about and to observe such restrictions. By accepting this report, a recipient hereof agrees to be bound by the foregoing limitations.