

20 March 2024

Global Markets Research

Daily Market Highlights

20 March: All eyes on FOMC and BNM reports today

US stocks, bonds, DXY gained ahead of the FOMC meeting; US housing starts rebounded
RBA maintained rates at 4.35% and dropped tightening bias; AUD depreciated
BOJ set policy rate between 0-0.10%, ending its negative rate regime with a dovish note

- The overnight rally in the US equity and bond markets ahead of the FOMC meeting suggests that markets may be less worried about the outcome from the meeting and the dot plot. As it is, we are expecting an unchanged policy stance, and leaning towards 3 rate cuts for 2024 at this juncture. Led by Dow Jones, all the major 3 indices closed up between 0.4-0.8% d/d. Chip darling Nvidia climbed +1.1% d/d after it unveiled its first Blackwell chip, dubbed the GB200, while American depository receipts of Unilever rose after the FMCG giant said it plans to spin off its ice cream unit that houses Ben and Jerry's.
- European markets closed mostly in the green, with Stoxx Eur 600 snapping its 3-day losing streak as focus shifted to the upcoming FOMC meeting. Autos and energy stocks outperformed, while tech and healthcare stocks declined. In Asia, Nikkei 225 whipsawed after the BOJ ended its negative rate regime but ultimately closed the day 0.7% d/d up and topping 40k. Today, regional stocks are set to follow the US rally with all eyes on the Fed today.
- In the Treasuries market, the 2Y fell 5bps to 4.68%, while the 10Y slid 3bps to 4.29%. 10Y European bond yields closed mixed between -3 to +2bps.
- In the forex market, DXY tested 104.06 but slid to 103.82 (+0.2% d/d) at close. All G10 and regional currencies depreciated against the greenback save for the NOK. JPY led losses against the Dollar, weakening a whopping 1.2% d/d to 150.86 even after BOJ's dovish hike as the yield gap with the USD remains. Similarly, JPY also weakened against all its G10 peers. AUD, meanwhile, depreciated by 0.4% d/d after the central bank abandoned its hawkish bias and left its key rate unchanged. Closer to home, CNH, MYR and SGD weakened in tune to 0.1-0.4% d/d against USD.
- Signs of tightening oil supplies pushed oil prices up another 0.6-0.9% d/d overnight. After the Ukrainian drone strike on Russian refineries, Iraq said that it would cut oil shipments in the coming months. Adding to noises was the CEO of Kuwait Petroleum Corporation's comments that energy demand will increase faster than population growth through 2050, contradicting projections that demand will peak this decade.

RBA maintained cash rate target at 4.35%; dropped tightening bias

- As widely expected, the Reserve Bank of Australia (RBA) kept its cash rate target unchanged at 4.35%. Key highlights from the statement include: 1) Inflation rate is moderating in line with RBA's latest forecast, but there are concerns that services inflation remains elevated and is moderating at a more gradual pace. Just a recap, RBA is expecting CPI to return to its 2-3% target in 2025 and to the midpoint in 2026. 2) Economic outlook remains uncertain, with the central bank noting that consumer spending remains

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	39,110.76	0.83
S&P 500	5,178.51	0.56
NASDAQ	16,166.79	0.39
Stoxx Eur 600	505.23	0.26
FTSE 100	7,738.30	0.20
Nikkei 225	40,003.60	0.66
CSI 300	3,577.63	-0.72
Hang Seng	16,529.48	-1.24
Straits Times	3,173.55	0.00
KLCI 30	1,544.96	-0.56
FX		
Dollar Index	103.82	0.23
EUR/USD	1.0866	-0.06
GBP/USD	1.2722	-0.05
USD/JPY	150.86	1.15
AUD/USD	0.6532	-0.43
USD/CNH	7.2120	0.08
USD/MYR	4.7370	0.40
USD/SGD	1.3420	0.21
Commodities		
WTI (\$/bbl)	83.47	0.91
Brent (\$/bbl)	87.38	0.56
Gold (\$/oz)	2,159.70	-0.21
Copper (\$\$/MT)	8,976.50	-1.24
Aluminum(\$/MT)	2,269.00	-0.37
CPO (RM/tonne)	4,354.00	0.38

Source: Bloomberg, HLBB Global Markets Research
 * Dated as of 18 March for CPO

particularly weak. 3) Forward-looking guidance was softened to “the Board is not ruling anything in or out” from “a further increase in interest rates cannot be ruled out.” This is in line with our in-house estimate that the cash rate has peaked for this cycle, while we anticipate its first rate cut only in 2H of 2024. 4) In her press conference, Governor Michelle Bullock added that the RBA wanted to be more confident that inflation is coming back to target range before considering a rate cut. As it is, futures are pricing in a 41% probability of a rate cut in the August monetary policy meeting.

BOJ ended its negative rate regime with a dovish note

- Key highlights from the latest Bank of Japan (BOJ) monetary policy meeting include: 1) By a 7-2 majority, the central bank ended its negative interest rate policy and set the benchmark collateralized overnight call rate at 0-0.1%. 2) The central bank will abolish its YCC, but will continue its JGB purchases in “broadly the same amount as before” and will make nimble responses, such as increasing the amount of JGB purchases in case of a rapid rise in long-term interest rates. 3) The Bank will discontinue purchases of ETFs and J-REITs, and will gradually reduce its purchases of CP and corporate bonds, discontinuing the purchases in about a year. 4) Both the statement and Governor indicated that financial conditions will remain accommodative and with this, we maintain our view that the central bank will most likely stay pat for the rest of the year, with room to manoeuvre upward given its negative real interest rates. 5) Policy makers gave few clues on further hikes, and added that the virtuous cycle between wages and prices has become more solid, thus policy makers judged that the inflation target of 2% is in sight in a sustainable and stable manner. Just a recap, Rengo, a federation of unions, won its biggest wage hike in 33 years at 5.28% for its members, potentially fuelling upward pressure on demand-driven inflation.

US building permits and housing permits jumped more than expected

- Both the building permits and housing starts rebounded more than forecast by +1.9% m/m and +10.7% m/m in February (Jan: -0.3% m/m and -12.3% m/m), the latter partially supported by a weather-related bounce back. The strong performance in housing starts and buildings suggests a bullish outlook for the residential market, supported by pent-up demand, improved builder sentiment, low housing inventory and lower mortgage rates.

Eurozone’s investor optimism improved; labour costs slowed

- The ZEW Survey Expectations for the Eurozone and Germany improved considerably in March, rising to 33.5 and 31.7 respectively (Feb: 25 and 19.9). The latter is a 2Y high and was driven by expectations that the ECB will cut interest rates in the next six months, explaining the optimism amongst the construction industry. Improved economic outlook for China and expected depreciation of the USD against EUR also boosted optimism amongst exporters, all pointing that the worst is over for the bloc.
- Meanwhile, paving way for a rate cut going forward is the slower wage growth in the bloc. Labour costs slowed to +3.4% y/y in 4Q (3Q: +5.2% y/y), a relief to the ECB who have been watching out for the strength of wages for any wage spiral inflation.

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 - 0.10	0 - 0.10	0 - 0.10	0 - 0.10
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
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
21-March	US FOMC Rate Decision (Upper Bound)	5.50%
	AU Judo Bank Australia PMI Mfg (Mar P)	47.8
	AU Judo Bank Australia PMI Services (Mar P)	53.1
	JN Exports YoY (Feb)	11.90%
	JN Jibun Bank Japan PMI Mfg (Mar P)	47.2
	JN Jibun Bank Japan PMI Services (Mar P)	52.9
	AU Employment Change (Feb)	0.5k
	AU Unemployment Rate (Feb)	4.10%
	HK CPI Composite YoY (Feb)	1.70%
	EC HCOB Eurozone Manufacturing PMI (Mar P)	46.5
	EC HCOB Eurozone Services PMI (Mar P)	50.2
	UK S&P Global UK Manufacturing PMI (Mar P)	47.5
	UK S&P Global UK Services PMI (Mar P)	53.8
	UK Bank of England Bank Rate	5.25%
	US Philadelphia Fed Business Outlook (Mar)	5.2
	US Initial Jobless Claims	209k
	US S&P Global US Manufacturing PMI (Mar P)	52.2
	US S&P Global US Services PMI (Mar P)	52.3
	US Leading Index (Feb)	-0.40%
	US Existing Home Sales MoM (Feb)	3.10%

Source: Bloomberg

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