

21 May 2024

Global Markets Research

Daily Market Highlights

21 May: All eyes on RBA minutes today

Nasdaq at record high ahead of Nvidia earnings; UST yields, DXY higher ahead of FOMC minutes
CNH closed weaker after PBoC maintained loan rates; CSI 300 extended gains on property boost
Notable signs of exports recovery for Malaysia with broad-based improvement

- Powered by gains in Nvidia and other tech companies, Nasdaq rallied 0.7% d/d to reach an all-time high on Wednesday, but the Dow Jones lagged the broader market with JPMorgan Chase leading losses after Jamie Dimon signalled that his retirement may be closer than previously stated. The Dow lost 0.5% d/d, while the S&P 500 inched up 0.1% d/d. Supporting sentiment for the broad index was Norwegian Cruise Line, which lifted its guidance for the second time this year, an indicator that consumer spending remains resilient. Investors will get a closer look at more consumer indicators this week, with retailers such as Lowe's, Macy's and Urban Outfitters reporting earnings.
- Elsewhere, the Stoxx Eur 600 index closed 0.2% d/d higher on optimism over potential rate cuts by the ECB and earnings growth. The majority of sectors ended in green, led by industrial stocks as gold and copper prices hit record levels. Asian markets also mostly rose, with CSI 300 (+0.4% d/d) extending its 8-month highs after officials held its lending rates unchanged and amidst optimism after officials laid out measures to boost its property market last Friday. The positive sentiment also spilled over to Hang Seng, sending the index up 0.4% d/d. Today, Asian stocks are set for cautious open given the upcoming earnings from Nvidia as well as minutes to the latest FOMC meeting.
- Fed speaks took centre stage in the Treasury and forex markets, after Fed's Jefferson, Barr, Bostic, Daly and Mester all reiterating the "high for longer" mantra. The latter, in fact, added that the 3 rate cuts that she previously pencilled in, is no longer appropriate. UST yields closed up 2-3bps across the curve, with the 2Y closing at 4.85% and the 10Y at 4.44%. 10Y European bond yields were also up between 0-4bps, led by UK gilts.
- The DXY crept up 0.1% d/d to 104.57 after the Fed speaks, with most G10 currencies weakening against the Dollar save for the SEK and GBP. The latter closed just above the flatline at 1.2706, with investors largely awaiting the upcoming UK price prints. BOE Deputy Governor Ben Broadbent commented that the central bank can cut interest rates some time over the summer, if the second-round inflation pressures eases as expected. Most regional currencies also depreciated against the greenback, with the exception of THB, HKD and MYR. MYR closed just above the flatline at 4.6862, with MYR paring some of its gains after the release of Malaysia's trade numbers that missed market expectations.
- Crude oil prices traded range-bound and closed 0.3% d/d lower, with traders largely monitoring the developments in the Middle East. This comes after Iran's President Ebrahim Raisi and Foreign Minister Hossein Amirabdollahian were killed in a helicopter crash.

PBoC maintained lending rates as expected

- The People's Bank of China (PBoC) maintained its 1 and 5Y loan prime rates

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	39,806.77	-0.49
S&P 500	5,308.13	0.09
NASDAQ	16,794.88	0.65
Stoxx Eur 600	523.89	0.18
FTSE 100	8,424.20	0.05
Nikkei 225	39,069.68	0.73
CSI 300	3,690.96	0.35
Hang Seng	19,636.22	0.42
Straits Times	3,314.05	0.02
KLCI 30	1,627.50	0.67
FX		
Dollar Index	104.57	0.11
EUR/USD	1.0857	-0.11
GBP/USD	1.2706	0.04
USD/JPY	156.26	0.39
AUD/USD	0.6667	-0.39
USD/CNH	7.2469	0.18
USD/MYR	4.6862	-0.03
USD/SGD	1.3475	0.19
Commodities		
WTI (\$/bbl)	79.80	-0.32
Brent (\$/bbl)	83.71	-0.32
Gold (\$/oz)	2,438.50	0.87
Copper (\$\$/MT)	10,889.00	2.07
Aluminum(\$/MT)	2,630.00	0.69
CPO (RM/tonne)	3,895.50	1.33

Source: Bloomberg, HLBB Global Markets Research

* Dated as of 17 May for CPO

unchanged at 3.45% and 3.95% respectively. The move was widely anticipated after the central bank rolled over the maturing MLF, but refrained from trimming the rate last week, signalling an intention to aid a tepid economic recovery without adding pressure on the yuan. As it is, China's economic recovery has been driven by strength in the industrial sector, but domestic demand has remained weak, both on the consumer and property front.

Hong Kong's unemployment rate low and steady at 3.0%

- Matching expectations, the unemployment rate held low and steady at 3.0% for the three months ended April. Moving forward, continued economic growth is expected to keep the labour market tight in the near term.

Malaysia exports recovery is gaining momentum; broad-based improvement in manufacturing and commodity exports

- Exports snapped two months of decline to increase 9.1% y/y in April (Mar: -0.9% y/y), marking its best gain in 14 months. The rebound came in above our expectation (+7.6% y/y), but was below market consensus estimate (+14.1% y/y). We noticed broad-based improvement across all major export sectors and export markets, in line with continuous expansion in the global economy and global trade. Imports also saw faster growth traction of 15.6% y/y in April, although this was somewhat cushioned by the sharply lower revised growth of 1.7% y/y for March (prior: +12.5% y/y). This pushed the trade surplus to RM7.7bn (Mar: RM12.7bn), its lowest since May 2020.
- We remain cautiously optimistic of a brighter exports outlook ahead, picking up further to expand at a double-digit pace in the months ahead, riding on a favourable external backdrop and continuous recovery in global trade. The US and China economies are expected to remain resilient despite slowdown risks while the Eurozone and UK economies are showing tentative signs of bouncing back from recent trough. Exports recovery will help lift growth in the Malaysian economy in the next few quarters, along with improvement in domestic demand, bringing full year 2024 growth to 4.9% in our view.

House View and Forecasts

FX	This Week	2Q-24	3Q-24	4Q-24	1Q-25
DXY	103-106	105.43	105.56	103.45	101.38
EUR/USD	1.07-1.10	1.06	1.05	1.06	1.06
GBP/USD	1.25-1.28	1.24	1.22	1.23	1.24
USD/JPY	153-157	152	149	146	143
AUD/USD	0.65-0.68	0.65	0.65	0.65	0.66
USD/MYR	4.66-4.71	4.73	4.68	4.64	4.57
USD/SGD	1.33-1.36	1.35	1.35	1.34	1.33

Rates, %	Current	2Q-24	3Q-24	4Q-24	1Q-25
Fed	5.25-5.50	5.25-5.50	5.25-5.50	5.00-5.25	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
21-May	AU Westpac Consumer Conf SA MoM (May) AU RBA Minutes of May Policy Meeting EC Construction Output MoM (Mar)	-2.40% 1.80%

	EC Trade Balance SA (Mar)	17.9b
	UK CBI Trends Total Orders (May)	-23
	US Philadelphia Fed Non-Manufacturing Activity (May)	-12.4
22-May	AU Judo Bank Australia PMI Mfg (May P)	49.6
	AU Judo Bank Australia PMI Services (May P)	53.6
	JN Exports YoY (Apr)	7.30%
	JN Core Machine Orders MoM (Mar)	7.70%
	UK CPI Core YoY (Apr)	4.20%
	UK PPI Output NSA YoY (Apr)	0.60%
	UK House Price Index YoY (Mar)	-0.20%
	US MBA Mortgage Applications	0.50%
	US Existing Home Sales MoM (Apr)	-4.30%

Source: Bloomberg

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