

22 January 2024

## Global Markets Research

### Daily Market Highlights

## 22 Jan: US consumer sentiment highest since July 2021

**S&P 500 climbed to a record; treasuries yields were little changed; DXY fell slightly**

**UK retail sales slumped, adding to technical recession risk; FDI into China fell 8% in 2023**

**Wider contraction in Malaysia's exports; advance 4Q GDP showed sustained growth**

- The S&P 500 jumped 1.2% d/d and closed at an all-time high on Friday, while the Dow Jones Industrial Average and Nasdaq also added 1.1% and 1.7% d/d respectively. Shares of tech companies led the charge higher, after an upbeat earnings report from Taiwan Semiconductor Manufacturing Corp (TSMC) earlier in the week spurred a resurgence in appetite for the sector. Fresh data from the US showed that consumers are becoming more confident on the economy and inflation, but the housing market continued to be pressured by elevated mortgage rates and low inventory levels. In the corporate sector, stocks of Huntington Bancshares, Regions Financials and Fifth Third Bancorp all rose about 3.0% d/d or more after the lenders released their corporate results. Travelers jumped 6.7% d/d after posting an earnings beat.
- European markets closed mixed, with a wait-and-see mood ahead of the ECB monetary policy decision this week. Taiwan led gains in Asian markets, as chip stocks rose, with heavyweight TSMC surging as much as 6.5%.
- US treasuries yields were little changed, with the 2Y up 3bps to 4.39%, and the 10Y down 2bps to 4.12%. 10Y European bond yields closed mixed between -5 to +2bps.
- DXY strengthened early in the session after the US consumer sentiment data surged to its highest reading since July 2021, but later retreated to close at 103.29, or down 0.2% d/d. USD weakened against all its G10 peers, save the CHF, NZD and GBP, the latter weighed down by the dismal UK retail sales data. JPY closed flattish ahead of BOJ's monetary policy decision on Tuesday, where the bank is likely to maintain its ultra-loose monetary settings. USD also depreciated against all the regional currencies save the PHP.
- Oil closed lower in tune to 0.7-0.9% d/d as oversupply forecasts outweighed Red Sea risks. Despite its higher demand growth forecast, the IEA expects the market to be reasonably well supplied in 2024.

### Consumer sentiment in the US jumped for the second month; Existing home sales sank to its lowest in 30 years in 2023

- The University of Michigan Consumer Sentiment topped estimates and continued with its sharp increase for the second month to 78.8 in January (Dec: 69.7). This is the highest since July 2021 and the largest 2-month increase (+29%) since 1991 when recession ended. Boosting sentiment was confidence that inflation has turned a corner and strengthening income expectations. For the former, year-ahead inflation expectations softened to 2.9%, the lowest since December 2020, while the long-run inflation expectations edged down 0.1ppts to 2.8%.
- Existing home sales came in weaker than expected, falling 1.0% m/m in December (Nov: +0.8% m/m) and brought sales for all of 2023 to its lowest

#### Key Market Metrics

	Level	d/d (%)
<b>Equities</b>		
Dow Jones	37,863.80	1.05
S&P 500	4,839.81	1.23
NASDAQ	15,310.97	1.70
Stoxx Eur 600	469.24	-0.26
FTSE 100	7,461.93	0.04
Nikkei 225	35,963.27	1.40
CSI 300	3,269.78	-0.15
Hang Seng	15,308.69	-0.54
Straits Times	3,152.29	0.40
KLCI 30	1,486.37	0.49
<b>FX</b>		
Dollar Index	103.29	-0.24
EUR/USD	1.0898	0.20
GBP/USD	1.2703	-0.02
USD/JPY	148.12	-0.03
AUD/USD	0.6597	0.37
USD/CNH	7.2036	-0.17
USD/MYR	4.7185	-0.01
USD/SGD	1.3408	-0.25
<b>Commodities</b>		
WTI (\$/bbl)	73.41	-0.90
Brent (\$/bbl)	78.56	-0.68
Gold (\$/oz)	2,029.30	0.38
Copper (\$\$/MT)	8,351.00	0.49
Aluminum(\$/MT)	2,166.00	0.12
CPO (RM/tonne)	3,902.50	1.05

Source: Bloomberg, HLBB Global Markets Research

\* Dated as of 18 Jan for CPO

level since 1995. Yet, even with slower sales activity, median home prices continued to climb, with December prices up 4.4% y/y to \$382.6k and reaching a record high of \$389.8k for the year. Prices were supported by a still low housing inventory, with December inventory down 11.5% m/m and unsold inventory sitting at a 3.2-month supply (Nov: 3.5 months). Moving forward, the National Association of Realtors expects sales to have bottomed out and turn higher in 2024, supported by lower mortgage rates and more inventory in upcoming months.

#### **Retail sales slumped in the UK, adding to technical recession risk**

- Retail sales recorded its biggest drop for almost three years, contracting more than expected by 3.2% m/m in December (Nov: +1.4% m/m). This is expected to subtract 0.04ppts from 4Q GDP, effectively raising the risk that the economy enters a technical recession during the quarter. Sales fell across the board, and food stores performed very poorly as drags from early Christmas shopping as well as higher cost-of-living led to slow December consumer spending.

#### **FDI into China plunged in 2023**

- Net foreign direct investment (FDI) into China fell 8.0% y/y to 1.1 trillion yuan in 2023 (2022: -10.0% y/y). This is the lowest in 3 years, with the Ministry of Commerce blaming the slowing economy and falling financial markets, a weak rebound from Covid, a series of investigations on foreign firms, and the arrest of a Japanese executive for dampening companies' willingness to invest in China. To address this, the ministry has come out with 24 reforms to encourage more FDI earlier in the year, which includes measures like allowing people from 11 countries to enter visa-free.

#### **Bigger decline in Malaysia's exports for a 2nd straight month; advance 4Q GDP growth estimate surprised on the downside at 3.4% y/y**

- Exports fell at a faster than expected pace for a second straight month, casting doubts on the strength of the recovery in exports. The decline in exports widened to 10.0% y/y in December (Nov: -6.1% y/y), as exports of all major products except crude petroleum, and exports to all major markets, contracted. Imports on the other hand, continued to pick up steam for the 4th straight month to +2.9% y/y (Nov: +1.5% y/y), and marked its second straight month of back-to-back growth. Trade surplus narrowed as a result (RM11.8bn vs RM12.2bn), and negative net exports is expected to exert a drag on overall GDP.
- In a separate release by DOSM, Oct-Nov data showed the Malaysia economy picked up to 3.4% y/y in the final quarter of 2023 (3Q: +3.3% y/y). This was below consensus estimates for a 4.1% y/y increase but above our base case of +3.1% as better growth in agriculture, mining and manufacturing offset slower growth in construction and services. Full year 2023 growth is estimated to have moderated to 3.8% y/y (2022: +8.7%), in line with our upside case.

#### **House View and Forecasts**

<b>FX</b>	<b>This Week</b>	<b>1Q-24</b>	<b>2Q-24</b>	<b>3Q-24</b>	<b>4Q-24</b>
DXY	101-105	100	99	99	98
EUR/USD	1.07-1.11	1.11	1.11	1.10	1.09
GBP/USD	1.25-1.29	1.28	1.29	1.27	1.26
USD/JPY	145-150	139	137	135	133
AUD/USD	0.64-0.68	0.69	0.69	0.70	0.71
USD/MYR	4.68-4.74	4.55	4.50	4.45	4.39
USD/SGD	1.33-1.36	1.31	1.30	1.29	1.28

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
22-Jan	CH 5-Year Loan Prime Rate	4.20%
	CH 1-Year Loan Prime Rate	3.45%
	MA CPI YoY (Dec)	1.50%
	MA Foreign Reserves	\$113.5b
	HK CPI Composite YoY (Dec)	2.60%
	US Leading Index (Dec)	-0.50%
22-29 Jan	SI Singapore MAS January 2024 Monetary Policy Statement	
22-Jan	AU NAB Business Conditions (Dec)	9
	SI CPI YoY (Dec)	3.60%
	US Philadelphia Fed Non-Manufacturing Activity (Jan)	6.3
	EC Consumer Confidence (Jan P)	-15
	US Richmond Fed Manufact. Index (Jan)	-11
	US Richmond Fed Business Conditions (Jan)	0
	JN BOJ Policy Balance Rate	-0.10%

Source: Bloomberg

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