

22 April 2024

Global Markets Research

Daily Market Highlights

22 April: Geopolitical risks unnerved markets

Equity markets closed mixed; UST yields mostly lower; DXY flat; oil prices slightly up

Retail sales unexpectedly stalled in the UK; double-digit fall in FDI into China

Malaysia saw 1Q GDP growth picking up to +3.9%; exports rebounding to +2.2% y/y in 1Q

- The Nasdaq Composite fell for a sixth straight session on Friday, notching its longest losing streak since 2022 as Nvidia and tech shares dived, adding to recent market woes tied to geopolitical conflicts and sticky inflation. The tech-heavy Nasdaq pulled back 2.1% d/d, while the S&P 500 slipped 0.9% d/d to below the 5k level. The Dow Jones, on the other hand, rose 0.6% d/d, lifted by a more than 6.0% rally in American Express following its better-than-expected earnings and an acceleration in new card sign-ups.
- European and Asian stock markets closed mixed amidst the escalating tensions in the Middle East. Retail stocks led the decline in FTSE 100 after UK retail sales underperformed in March, coming in flat m/m. As it is, Asian markets are set for a mixed open today following futures and as investors await key economic data from the US today.
- UST yields closed mostly lower (0-2bps), still supported by geopolitical risks and the downdraft in stocks. The 2Y closed flat at 4.99% while the 10Y edged down 1bps to 4.62%. 10Y European bond yields closed mixed between -4 to +2bps.
- DXY rallied as much as 0.5% amidst reports that Israel launched a retaliatory strike on Iran, but later pared its gains to close flat at 106.15. Supporting the DXY above the 106-handle was the continuous rumble of hawkish Fed speaks recently, with the latest from President Austin Goolsbee who said that the progress on inflation has stalled. G10 and regional currencies closed mixed against the Dollar, with GBP the laggard (-0.5% d/d), weighed down by BOE Dave Ramsden's comment that he is less concerned about UK inflation than in previous month, a sign that he may be willing to support interest rate cuts.
- Oil prices briefly spiked following Israel's limited strike on Iran, but pared gains after the latter downplayed Israel's retaliatory attack, lowering the geopolitical risk premium for crude. Still, crude oil prices managed to eke out meagre gains between 0.2-0.5% d/d.

Flat retail sales in the UK

- Retail sales unexpectedly stalled in March (Feb: upwardly revised +0.1% m/m) and remained 1.2% below their pre-coronavirus pandemic level. Within retail, sales were mixed, with hardware stores, furniture, petrol stations and clothing stores all reporting a rise in sales, offsetting declines in food sales and department stores where retailers say higher prices hit volumes. While the data was also offset by heavy rainfall in 1H of March, the latest data points to a lacklustre recovery from 2023's recession. Separate data this morning by Rightmove showed that home prices continued to gain in March, rising by 1.1% m/m and 1.7% y/y (Feb: +1.5% m/m and 0.8% y/y).

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	37,986.40	0.56
S&P 500	4,967.23	-0.88
NASDAQ	15,282.01	-2.05
Stoxx Eur 600	499.29	-0.08
FTSE 100	7,895.85	0.24
Nikkei 225	37,068.35	-2.66
CSI 300	3,541.66	-0.79
Hang Seng	16,224.14	-0.99
Straits Times	3,176.51	-0.35
KLCI 30	1,547.57	0.18
FX		
Dollar Index	106.15	0.00
EUR/USD	1.0656	0.12
GBP/USD	1.2370	-0.53
USD/JPY	154.64	0.00
AUD/USD	0.6418	-0.05
USD/CNH	7.2512	0.02
USD/MYR	4.7832	-0.05
USD/SGD	1.3616	-0.04
Commodities		
WTI (\$/bbl)	83.14	0.50
Brent (\$/bbl)	87.29	0.21
Gold (\$/oz)	2,398.40	0.68
Copper (\$\$/MT)	9,876.00	1.45
Aluminum(\$/MT)	2,669.00	2.08
CPO (RM/tonne)	4,175.50	0.51

Source: Bloomberg, HLBB Global Markets Research

* Dated as of 18 April for CPO

FDI into China posted double-digit decline

- Foreign direct investment (FDI) into China fell for the third straight month in March, underscoring Beijing's struggle to attract overseas funds to boost its economy. FDI plunged 26.1% y/y YTD March, worsening from 19.9% y/y for the first 2 months of the year, with its Vice Commerce Minister attributing this to high base effect. While Beijing has taken steps to create a China friendly to foreign investments, foreign companies have largely held back their investment into the country on the back of an uncertain growth as well as political tension with the US and EU.

Malaysia's advanced 1Q GDP growth picked up to +3.9% as expected; exports rebounded to +2.2% y/y

- Jan-Feb data showed the Malaysia economy expectedly picked up to 3.9% y/y in 1Q of the year (4Q: +3.0% y/y). All economic sectors saw improved performance with the exception of slower growth in agriculture. The manufacturing sector turned around with a 1.9% y/y growth in 1Q in line with the recovery in global demand while the services sector registered slightly quicker increase of +4.4% y/y during the quarter, underpinned by wholesale & retail trade, transport & storage, business services, and finance & insurance subsectors.
- In a separate release by DOSM, exports fell less than expected by 0.8% y/y in March (Feb: -0.8% y/y), on the back of minor gains in manufacturing (+0.7% y/y) and mining (+0.2% y/y) whilst agriculture exports fell 17.3% y/y in March led by a 22.8% y/y contraction in palm oil and related palm products due to decline in both value and volume. Meanwhile, imports continued to gain steam, growing 12.5% y/y in March (Feb: +8.0% y/y), driven by continued double-digit expansions in capital (+66.2% y/y) and intermediate (+10.5% y/y) goods imports while consumption goods imports saw a much smaller gain of 1.2% y/y in March (Jan-Feb: +22.5% y/y) after seasonal demand waned.
- Economic indicators released thus far point to better 1Q and 2024 growth outlook. Key risk will be faster imports growth should domestic demand and intermediate goods imports pen out better than expected, that could further aggravate the drag on net exports. We are maintaining our above consensus growth forecast of 4.7% for full year 2024 for now, pending the release of final 1Q GDP growth print on 17-May. No change to our view for OPR to stay pat at 3.00% through 2024 barring any abrupt surge in inflation and downside risks to growth. Escalation in geopolitical risk in the Middle-east which will have implications on growth, inflation, and monetary policy, is however, another key wild card to contend with.

House View and Forecasts

FX	This Week	2Q-24	3Q-24	4Q-24	1Q-25
DXY	104-108	103.44	102.41	101.38	100.37
EUR/USD	1.05-1.08	1.09	1.10	1.08	1.07
GBP/USD	1.23-1.26	1.27	1.28	1.27	1.25
USD/JPY	152-156	148	145	142	140
AUD/USD	0.63-0.66	0.66	0.67	0.67	0.68
USD/MYR	4.75-4.80	4.68	4.63	4.56	4.49
USD/SGD	1.35-1.38	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
22-April	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
23-April	EC Consumer Confidence (Apr P)	-14.9
	JN Jibun Bank Japan PMI Mfg (Apr P)	48.2
	JN Jibun Bank Japan PMI Services (Apr P)	54.1
	SI CPI YoY (Mar)	3.40%
	EC HCOB Eurozone Manufacturing PMI (Apr P)	46.1
	EC HCOB Eurozone Services PMI (Apr P)	51.5
	UK S&P Global UK Manufacturing PMI (Apr P)	50.3
	HK CPI Composite YoY (Mar)	2.10%
	UK S&P Global UK Services PMI (Apr P)	53.1
	US Philadelphia Fed Non-Manufacturing Activity (Apr)	-18.3
	US S&P Global US Manufacturing PMI (Apr P)	51.9
	US S&P Global US Services PMI (Apr P)	51.7
	US Revisions: Retail Sales ()	0.70%
	US New Home Sales MoM (Mar)	-0.30%
	US Richmond Fed Manufact. Index (Apr)	-11
	US Richmond Fed Business Conditions (Apr)	-8

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

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