

23 January 2024

## Global Markets Research

### Daily Market Highlights

## 23 Jan: Dow Jones and S&P 500 rose to record highs

**UST yields closed mostly lower; DXY just above the flatline**

**PBoC maintained its 1Y- and 5Y loan prime rates; BOJ to decide today**

**Smaller decline in US leading index; Malaysia's CPI hovered at near 3-year low**

- Stocks rose as investors built on the previous session's optimism to record highs. Driving the upbeat tone was beliefs that the FOMC and major central banks are done hiking interest rates this cycle, underpinning gains in both stocks and bonds. On Monday, gains from the technology heavyweights to banking stocks pushed the Dow Jones Industrial Average up 0.4% d/d past 38k for the first time ever, the S&P 500 up +0.2% d/d to another fresh all time high and Nasdaq Composite up 0.3% d/d. Shares of small companies in the Russell 2000 outperformed while investors await a slew of economic data and corporate earnings this week. This includes the first reading of the 4Q GDP and core-PCE prices, and on the corporate front, results from Tesla to P&G.
- European markets also logged a positive start to the new trading week as investors await ECB's monetary policy decisions. Commerzbank, nonetheless, slipped 4.3% d/d after the BofA downgraded the stock to "underperform" from "neutral." Asian markets closed mixed, with Nikkei 225 hovering near its 34-year high but Hang Seng and CSI 300 slipped between 1.6-2.3% d/d, the former led by real estate stocks after the PBoC left its prime loan rates unchanged.
- With the exception of the 2Y, Treasury yields retreated in tune to 1-2bps across the curve. The 10Y closed down 2bps to 4.11%, while the 2Y edged up 1bps to 4.39%. 10Y European bond yields fell between 2-7bps.
- Trading in DXY was choppy but ended just above the flatline at 103.33, a fifth straight session over the 103-handle and ahead of central bank policy decisions in Japan and the Eurozone. The Dollar mostly strengthened against its G10 peers, but closed just below the flatline against GBP, SEK and JPY. Greenback, meanwhile, closed mixed against regional currencies. Specifically, CNH appreciated slightly by 0.1% d/d to 7.1939 against USD after PBoC's decision to stay pat in its latest monetary policy decision.
- Oil prices gained 1.9-2.4% d/d after a Ukraine drone attack shut down a Novatek gas terminal on the Baltic coast, near a major oil export terminal and threatening the flow of Russian crude exports. Elsewhere, Libya said that flows from the Sharara field would resume after a 3-week stoppage.

#### PBoC maintained its 1Y- and 5Y loan prime rates steady

- As widely expected, China maintained its 1- and 5Y loan prime rate steady at 3.45% and 4.20% respectively. As it is, the economy is still battling with a sluggish environment and longest deflationary streak since the Asian Financial Crisis, and to address this, we expect authorities to focus on structural reforms, cuts in its reserve requirement ratio (RRR) and ramping up liquidity injections to support the economy, the latter especially before the upcoming

#### Key Market Metrics

	Level	d/d (%)
<b>Equities</b>		
Dow Jones	38,001.81	0.36
S&P 500	4,850.43	0.22
NASDAQ	15,360.29	0.32
Stoxx Eur 600	472.86	0.77
FTSE 100	7,487.71	0.35
Nikkei 225	36,546.95	1.62
CSI 300	3,218.90	-1.56
Hang Seng	14,961.18	-2.27
Straits Times	3,149.12	-0.10
KLCI 30	1,491.19	0.32
<b>FX</b>		
Dollar Index	103.33	0.04
EUR/USD	1.0883	-0.14
GBP/USD	1.2709	0.05
USD/JPY	148.10	-0.01
AUD/USD	0.6570	-0.41
USD/CNH	7.1939	-0.13
USD/MYR	4.7308	0.26
USD/SGD	1.3419	0.08
<b>Commodities</b>		
WTI (\$/bbl)	75.19	2.42
Brent (\$/bbl)	80.06	1.91
Gold (\$/oz)	2,022.20	-0.35
Copper (\$\$/MT)	8,345.50	-0.07
Aluminum(\$/MT)	2,159.00	-0.32
CPO (RM/tonne)	3,951.00	1.24

Source: Bloomberg, HLBB Global Markets Research

\* Dated as of 19 Jan for CPO

Lunar New Year holidays when cash demand from corporates and households usually picks up.

#### **The contraction in US leading index narrowed further**

- The contraction in the Conference Board's Leading Economic Index (LEI) narrowed more than expected and for the second month to -0.1% m/m in December (Nov: -0.5% m/m). In tandem with this, the LEI's 6M and 12M growth rates have turned upward but remain negative, continuing to signal weakness in the economy. Six out of 10 leading indicators made positive contributions to the index during the month, but these were offset by weakness in the manufacturing sector, the high interest-rate environment and low consumer confidence.

#### **Hong Kong's inflation remained tame, softening to +2.4%**

- Inflation rate in Hong Kong remained moderate, decelerating more than expected to +2.4% y/y in December (Nov: +2.6% y/y and 2023: +1.7% y/y). Prices of meals out & takeaway food as well as clothing & footwear continued to see visible increases, although price pressures on other major components remained broadly in check. Moving forward, overall inflation should stay moderate in the near term, as external price pressures should continue to recede but domestic business costs might face some upward pressures as the economy continues to recover.

#### **Malaysia's headline CPI hovered at its lowest in nearly three years at 1.5% y/y in December**

- Malaysia's headline CPI stabilized at +1.5% y/y in December as widely expected, hovering at its lowest since Feb-2021, as a softer gain in food inflation was neutralized by a reacceleration in non-food prices. Core CPI moderated for the 3rd straight month, to a 22-month low of 1.9% y/y in December (Nov: +2.0% y/y), while services CPI also lost steam for the 10th straight month, to 1.9% y/y, a 20-month low. For the whole of 2023, CPI increased 2.5% y/y as expected, slowing from the +3.3% increase in 2022.
- We expect inflation outlook to remain moderate in the absence of any significant supply and demand shocks. Ongoing conflict between Israel and Hamas appeared to have had little impact on oil and other commodity prices thus far but we see heightened risk stemming from the recent Red Sea-related shipment rerouting. In addition, the imminent spike in inflation in the wake of more subsidy rationalization is expected to be manageable. We estimate full year 2024 CPI could potentially average 3.2% (1.0ppt higher from base case of 2.2%) assuming abolishment of eggs subsidy and phased adjustment in electricity tariffs in 2Q, as well as gradual pullback in fuel subsidies in 3Q. Impact from the 2.0ppt increase in SST as well as imported inflation are also expected to be well-contained. We therefore expect BNM to maintain the OPR at 3.00% on the back of continued moderate growth and price outlook.
- Foreign reserves continued with its upward trend, rising \$1.6bn to \$115.1bn as of mid-January (2H of December: +\$0.7bn). The reserves level is sufficient to finance 5.4 months of imports of goods and services and 1.0 times of the total short-term external debt.

#### **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
23-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%
24-Jan	AU Judo Bank Australia PMI Mfg (Jan P)	47.6
	AU Judo Bank Australia PMI Services (Jan P)	47.1
	AU Westpac Leading Index MoM (Dec)	0.07%
	JN Exports YoY (Dec)	-0.20%
	JN Jibun Bank Japan PMI Mfg (Jan P)	47.9
	JN Jibun Bank Japan PMI Services (Jan P)	51.5
	MA BNM Overnight Policy Rate (45292)	3.00%
	EC HCOB Eurozone Manufacturing PMI (Jan P)	44.4
	EC HCOB Eurozone Services PMI (Jan P)	48.8
	UK S&P Global UK Manufacturing PMI (Jan P)	46.2
	UK S&P Global UK Services PMI (Jan P)	53.4
	UK CBI Trends Total Orders (Jan)	-23
	US MBA Mortgage Applications	10.40%
	US S&P Global US Manufacturing PMI (Jan P)	47.9
	US S&P Global US Services PMI (Jan P)	51.4

Source: Bloomberg

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