

24 January 2024

Global Markets Research

Daily Market Highlights

24 Jan: BOJ kept policy rates and cut core-CPI forecast for 2024

BOJ offered no strong clues to any policy shift - JPY depreciated; Nikkei 225 fell

China is reportedly seeking to mobilize a 2tn yuan fund to support the stock market

Singapore's inflation surprised on the upside; MAS to revise CPI forecast next week

- Dow Jones Industrial Average snapped its three-day winning streak, closing down 0.3% d/d dragged down by weak corporate earnings but the Nasdaq and S&P 500 rose 0.3-0.4% d/d respectively, the latter to a fresh all-time closing high. The 30-stock Dow was pressured by an 11.0% d/d decline in 3M shares following disappointing guidance. Johnson & Johnson also fell 1.6% d/d after reporting earnings, but Verizon and Procter & Gamble helped mitigate losses for the index. Elsewhere, D.R. Horton also fell after missing on home orders but United Airlines rose after a 4Q earnings beat, pulling up shares of its peers. In after hour move, Netflix stocks jumped after the company added 13m subscribers in the last quarter.
- European markets struggled with most industry groups closing lower, overshadowing the rally in mining stocks. This comes after Goldman Sachs noted better pricing of basic resources and renewables sectors. Asian stocks closed mixed, with Hang Seng jumping 2.6% d/d after reports that Premier Li Qiang has asked authorities to take more "forceful" measures to stabilize China's slumping stock market and investor confidence, and that authorities are mulling a 2 trillion yuan stabilization fund. Nikkei 225, on the other hand, was marginally lower after the BOJ kept its monetary policy unchanged.
- The Treasury market closed mixed, with the long-end underperforming. The 10Y benchmark yield rose 2bps to 4.13%, while the 2Y yield fell 2bps to 4.37%. 10Y European bond yields rose between 4-8bps.
- DXY rallied 0.3% d/d to 103.62, closing firmer against 6 of its G10 peers. This includes JPY after the central bank left its policy unchanged and offered no strong clues of an imminent shift to a slightly hawkish stance. JPY weakened immediately after the decision, briefly hitting 148.69 but reversed its losses to close at 148.35 (-0.2% d/d). USD, nonetheless, closed mostly weaker against most regional currencies save the THB, HKD and INR.
- Oil prices fell between 0.6-1.1% d/d as supply gains blunt Red Sea risks, the former after Libya restarted its production and output in North Dakota slowly recovers.

BOJ unanimously decided to keep policy rate at -0.1%; cut core-CPI forecast for fiscal year 2024

- As widely anticipated, the Bank of Japan (BOJ) unanimously decided to keep its policy rate at -0.1%, and stuck to its yield curve control (YCC) policy that keeps the upper limit for the 10Y JGB at 1.00% as a reference. In its quarterly outlook on the Japanese economy, the BOJ: 1) Lowered its median forecast for core CPI to 2.4% for fiscal 2024 (-0.4ppts) but increased the core CPI inflation estimate for fiscal 2025 to 1.8% (+0.1ppts). 2) Revised its GDP

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	37,905.45	-0.25
S&P 500	4,864.60	0.29
NASDAQ	15,425.94	0.43
Stoxx Eur 600	471.53	-0.28
FTSE 100	7,485.73	-0.03
Nikkei 225	36,517.57	-0.08
CSI 300	3,231.93	0.40
Hang Seng	15,353.98	2.63
Straits Times	3,135.25	-0.44
KLCI 30	1,496.11	0.33
FX		
Dollar Index	103.62	0.28
EUR/USD	1.0854	-0.27
GBP/USD	1.2687	-0.17
USD/JPY	148.35	0.17
AUD/USD	0.6580	0.15
USD/CNH	7.1674	-0.37
USD/MYR	4.7277	-0.07
USD/SGD	1.3413	-0.04
Commodities		
WTI (\$/bbl)	74.37	-1.09
Brent (\$/bbl)	79.55	-0.64
Gold (\$/oz)	2,025.80	0.18
Copper (\$\$/MT)	8,405.00	0.71
Aluminum(\$/MT)	2,228.00	3.20
CPO (RM/tonne)	3,948.00	-0.08

Source: Bloomberg, HLBB Global Markets Research

* Dated as of 22 Jan for CPO

projection for fiscal 2024 to 1.2% (+0.2ppts), but maintained its 1.0% growth projection for fiscal 2025.

- Data this morning showed that exports rebounded more than expected by +9.8% y/y in December (Nov: -0.2% y/y), while the contraction in imports narrowed less than expected to -6.8% y/y (Nov: -11.9% y/y), sending trade balance to a surplus of ¥62.1bn during the month as compared to a deficit previously. The rise in exports was boosted by strong exports to the US and reflected strong automobile and construction machinery shipments, boosting prospects for the economy returning to growth during the quarter.

US regional indices remained weak

- Richmond Fed manufacturing activity remained sluggish in January, unexpectedly worsening to -15 in January (Dec: -11) as 2 out of its three sub-indices worsened, notably for employment. Firms remained somewhat pessimistic about local business conditions, as the index remained in negative territory, while the index for future local business conditions improved to 0 (Dec: -5). The services index, meanwhile, was relatively unchanged at -3 in January (Dec: 0). The revenues and demand indices increased slightly during the month, while expectations indices for future revenues and demand were mixed but positive.
- In the Philadelphia region, the Non-Manufacturing Activity index fell to -3.7 (Dec: +2.1) with most of the sub-indices positive but low. Nonetheless, firms continue to expect growth over the next six months at their own firms and in the region.

Consumer confidence in the Eurozone worsened

- Consumer confidence unexpectedly worsened to -16.1 in January (Dec: -15.1), well below its long-term average. As it is, this is a gloomy start for the bloc after 2023 likely ended with a technical recession.

Mixed data from Australia

- Data overnight from Australia was mixed. On a positive note, January's Judo Bank Flash PMI saw a modest improvement in the overall business conditions with a stabilisation in the service sector (47.9 vs 47.1) and a pick-up in manufacturing PMI (50.3 vs 47.6). The latter is the first expansion since February 2022. Business confidence improved, as reflected in the future output index rising to its highest level in five months and the employment index was broadly stable
- The NAB Business Conditions index, on the other hand, eased further to +7 in December (Nov: +9), remaining just above the long-run average and weighed down by the manufacturing and construction sectors. The Westpac Leading Index also slipped 0.04% m/m (Nov: +0.07% m/m), weighed down by dwelling approvals and hours worked sub-indices. All in, economic growth had eased by the end of 2023 but recent data continues to point to a soft-landing scenario for the economy and equally important, is beginning to translate into improvement in inflation indicators.

Singapore's inflation surprised on the upside; MAS to revise CPI forecast next week

- Both headline and core CPI unexpectedly accelerated to +3.7% y/y and +3.3% y/y respectively in December (Nov: +3.6% y/y and +3.2% y/y), as increases in the cost of services and transport drove the upticks, and offset the milder food inflation and deeper contraction in prices of clothing & footwear.

- In the accompanying statement, MAS said that core inflation is expected to be affected by increases in the GST rate and administrative price in early 2024, but should resume a gradual moderating trend subsequently as import cost pressures decline and tightness in labour market eases. MAS kept its core inflation forecast of 2.5–3.5% for the year, but said that it will update its forecast for the headline during the Monetary Policy Statement. Given the upside risks to price outlook and MAS using the exchange rate as its main policy tool, we expect MAS to hold its monetary policy on January 29th to contain imported costs yet support the economy.

House View and Forecasts

FX	This Week	1Q-24	2Q-24	3Q-24	4Q-24
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
24-Jan	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
	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
25-Jan	HK Exports YoY (Dec)	7.40%
	EC ECB Main Refinancing Rate	4.50%
	US Chicago Fed Nat Activity Index (Dec)	0.03
	US GDP Annualized QoQ (4Q A)	4.90%
	US Advance Goods Trade Balance (Dec)	-\$90.3b
	US Durable Goods Orders (Dec P)	5.40%
	US Cap Goods Orders Nondef Ex Air (Dec P)	0.80%
	US Initial Jobless Claims	187k
	US New Home Sales MoM (Dec)	-12.20%
	SI Unemployment rate SA (Dec)	2.00%
25-26 Jan	VN Industrial Production YoY (Jan)	5.80%
25-31 Jan	VN CPI YoY (Jan)	3.58%
	VN Retail Sales YoY (Jan)	9.30%
	VN Exports YoY (Jan)	13.10%

Source: Bloomberg

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