

24 April 2024

## Global Markets Research

### Daily Market Highlights

## 24 April: Dollar and front-end UST yields fell on disappointing PMIs

**US PMIs unexpectedly lost momentum; new home sales jumped to a 6-month high**

**Pick-ups in PMIs for the Eurozone and UK, both driven by the services sector**

**Modest inflationary pressures in Japan, Hong Kong and Singapore**

- Technology shares again led US equities higher on Tuesday, ahead of a spate of major earnings reports. The tech heavy Nasdaq rallied 1.6% d/d while Dow Jones and S&P 500 closed 0.7-1.2% d/d higher as investors were encouraged by strong earnings reports before the opening bell, from General Motors, UPS and GE Aerospace. Tesla, on the other hand, reported a sharp drop in its 1Q revenue and profit, and announced renewed push for affordable models.
- Similarly, Stoxx Eur 600 closed 1.1% d/d higher on strong earnings reports from Novartis AG and SAP SE, while FTSE 100 hit another record, although pared some earlier gains on hawkish comments made by the BOEs chief economist, Huw Pill. The index extended the record close set on Monday, finishing 0.3% d/d higher. Asian markets also extended gains as investors looked towards positive PMI readings from Australia and Japan and are expected to enjoy spillover from positive mood from the overnight US market today.
- Shorter-term Treasury yields pulled back after US PMI hit a four-month low, sending the 2 to 10Y yields down 1-4bps. The 2Y closed at 4.93% (-4bps) while the 10Y at 4.60% (-1bps). 10Y European bond yields increased between 0-4bps with the exception of the Norwegian and Swedish sovereign bonds.
- The Dollar recorded a big drop after US PMIs missed their forecasts, weakening against all its G10 peers and most regional currencies. DXY fell 0.4% d/d to 105.68, while GBP (+0.8% d/d) outpacing its other G10 peers after hawkish comments from Huw Pill and after UK's PMI showed that the economy is gathering momentum. The chief economist commented that the BOE is divided on timing of rate cuts, and that he is erring on the side of caution. JPY closed flattish at 154.83, and is on the brink of currency intervention if the currency weakens any further.
- Oil prices rebounded 0.6-1.6% d/d on risk on mood, eclipsing waning premium from geopolitical risks.

#### PMIs signalled a lost in momentum for the US; pick-ups in the Eurozone, UK and Japan, driven by services

- The US economic upturn unexpectedly lost momentum in April, with the composite PMI unexpectedly moderated to 50.9 (Mar: 52.1). Further pace may be lost in the coming months, as April saw inflows of new business fall for the first time in 6 months, firms' future output expectations slipped to a 5-month low and prompted companies to cut payroll numbers at a rate not seen since the global financial crisis (outside the pandemic lockdown). Slower increases in activity were recorded for services (50.9 vs 51.7), a 5-month low, while the manufacturing sector slipped below the 50-threshold (49.9 vs 51.9).

#### Key Market Metrics

	Level	d/d (%)
<b>Equities</b>		
Dow Jones	38,503.69	0.69
S&P 500	5,070.55	1.20
NASDAQ	15,696.64	1.59
Stoxx Eur 600	507.79	1.09
FTSE 100	8,044.81	0.26
Nikkei 225	37,552.16	0.30
CSI 300	3,506.23	-0.70
Hang Seng	16,828.93	1.92
Straits Times	3,272.72	1.47
KLCI 30	1,561.64	0.13
<b>FX</b>		
Dollar Index	105.68	-0.38
EUR/USD	1.0701	0.43
GBP/USD	1.2449	0.80
USD/JPY	154.83	-0.01
AUD/USD	0.6487	0.57
USD/CNH	7.2605	0.14
USD/MYR	4.7803	0.07
USD/SGD	1.3614	-0.04
<b>Commodities</b>		
WTI (\$/bbl)	83.36	0.62
Brent (\$/bbl)	88.42	1.63
Gold (\$/oz)	2,327.70	-0.19
Copper (\$\$/MT)	9,706.50	-1.25
Aluminum(\$/MT)	2,579.00	-3.43
CPO (RM/tonne)	4,055.00	-1.10

Source: Bloomberg, HLBB Global Markets Research

\* Dated as of 22 April for CPO

- Eurozone's Composite Flash PMI took a significant step to expand more than expected to 51.4 in April (Mar: 50.3), propelled by a better-than-expected services sector (52.9 vs 51.5), while the manufacturing sector remained bleak and unexpectedly worsened to 45.6 (Mar: 46.1). Several factors indicate that the strength in the services sector should be sustained, amongst others; positive momentum in new business for the past two months, higher increases in output prices reflecting confidence of service providers in setting prices, and that the recovery is occurring simultaneously in the two largest economies, Germany and France.
- The composite PMI (54.0 vs 52.8) suggests that the UK economic recovery from recession last year continued to gain momentum, with better-than-expected growth in the service sector (54.9 vs 53.1), offsetting an unexpected renewed downturn in the manufacturing sector (48.7 vs 50.3). Output growth was supported by a solid upturn in new order volumes and a modest acceleration in staff hiring, in each case driven by the service economy.
- Japan's private sector accelerated to its joint-fastest pace in a year, with the Jibun Bank Flash Composite PMI at 52.6 in April (Mar: 51.7). The services sector expanded at a faster pace (54.6 vs 54.1) while the manufacturing sector continued to contract albeit at a less severe pace (49.9 vs 48.2). Overall new orders rose at a solid pace, business confidence remained positive and forward-looking indicators suggested sustained expansion in the near term. April data also saw some intensifying price pressures.

#### **US new home sales jumped to 6-month high; improved but still negative readings for the regional indices**

- New home sales bounced back more than expected, jumping to a 6-month high of 693k annual pace in March (+8.8% m/m vs -5.1% m/m) while an abundance in inventory helped drive prices lower. The median sales price of new houses sold was \$430.7k (-1.9% y/y and +6.0% m/m), while there were 477k new houses for sale, its highest since 2008 and representing a supply of 8.3 months at the current sales rate. The latest data suggests stability in the housing market and strength in underlying demand, especially in view of the upcoming spring buying season, but buyers will still be constrained by elevated mortgage rates and prices.
- Regional indicators were all negative, suggesting still soft economic activities albeit improving. The Richmond Fed Manufacturing Index improved more than expected to -7 in April (Mar: -11) due to the new orders and shipments sub-indices while employment worsened. Firms were also more optimistic about local business conditions. Meanwhile, firms' optimism over the service sector was nearly unchanged (-6 vs -8), as demand increased notably, while indices for future revenues and demand both increased further into positive territory. In the Philadelphia region, the non-manufacturing index improved 6 points to -12.4, with new orders, and sales/revenues both positive. The labour indices continued to signal increase in employment, while price indices remain near their long-run averages. Firms continue to expect growth over the next six months at their own firms and in the region.

#### **Japan's PPI-Services unexpectedly picked up again**

- Data this morning showed that PPI-Services unexpectedly accelerated again to 2.3% y/y in March (Feb: +2.2% y/y), largely driven by higher price pressure from advertising, leasing & rental, information & telecommunication as well as transportation & postal services, the latter in line with improved trade

performances as well as tourism activities. Moving forward, the latest data and solid wage growth, will thus, reaffirm BOJ's expectations that the economy is making progress towards achieving a sustained rise in inflation.

#### Hong Kong's inflation remained modest at +2.0%

- CPI remained modest and unexpectedly decelerated to +2.0% y/y in March (Feb: +2.1% y/y and Jan-Feb: +1.9% y/y). While costs of meals out and takeaway food continued to rise relatively fast, prices of basic food edged down. Prices of energy-related items fell further and remained broadly in check for other major components. Overall inflation should stay contained in the near term, with some upward pressures on domestic cost, offsetting the downward trend on the external front.

#### Singapore's inflation cooled more than expected

- Headline and core CPI rose by 2.7% y/y and 3.1% y/y in March (Feb: 3.4% y/y and +3.6% y/y), lower than consensus forecasts. The moderation was mainly driven by lower food and services inflation, as well as a fall in private transport costs. Services inflation eased as airfares fell and holiday expenses rose at a slower pace, while the lower transport costs were in tandem with the lower COE premiums.
- Although crude oil prices have risen in recent weeks, global prices for most food commodities, intermediate and final manufactured goods have continued to decline. Inflation for services associated with overseas travel should also moderate further as supply conditions improve. Coupled with strengthening SGD trade-weighted exchange rate, this should help temper imported inflation. On the domestic front, easing domestic labour market conditions, larger than projected COE supply and housing units will help to contain prices.

#### House View and Forecasts

FX	This Week	2Q-24	3Q-24	4Q-24	1Q-25
DX	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
24-April	AU CPI YoY (Mar)	3.40%
	US MBA Mortgage Applications	3.30%
	US Durable Goods Orders (Mar P)	1.30%
	US Cap Goods Orders Nondef Ex Air (Mar P)	0.70%
25-April	MA CPI YoY (Mar)	1.80%
	JN Leading Index CI (Feb F)	111.8
	EC ECB Publishes Economic Bulletin ()	

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HK Exports YoY (Mar)	-0.80%
UK CBI Retailing Reported Sales (Apr)	2
US GDP Annualized QoQ (1Q A)	3.40%
US Advance Goods Trade Balance (Mar)	-\$91.8b
US Initial Jobless Claims	212k
US Pending Home Sales MoM (Mar)	1.60%
US Kansas City Fed Manf. Activity (Apr)	-7

Source: Bloomberg

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