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Global Markets Research

Daily Market Highlights

24 May: Risk-off mood in global financial markets

PMIs rose to its two-year high in the US; gathered momentum in EU but decelerated in the UK
Positive US data continued to push back Fed rate cut outlook; UST yields and DXY advanced
Mild inflation prints from Japan to Australia, Hong Kong and Singapore

- Nvidia's stellar quarterly result and its accompanying rally failed to fuel risk appetite for the broader US equity indices. Consequently, the S&P 500 declined 0.7% d/d, Nasdaq pulled back 0.4% d/d while Dow Jones plunged 1.5% d/d, its worst one-day ppts drop since 2023 as investors largely turned risk off amidst a hawkish Fed and slew of strong economic data, which saw traders lowering Fed rate cut bets and incentivising them to sell. Boeing's 7.6% d/d plunge weighed down on the Dow, while Nvidia's 9.3% d/d jump lifted the information sector to the green within S&P. The rest of the 10 sectors within the broad index closed in red.
- Elsewhere, Stoxx Eur 600 closed 0.1% d/d higher with automotive lagging while the tech and media sectors outperformed. UK stocks lost 0.4% d/d after the general election was called, while the utility sector was weighed down by National Grid's announcement to raise £7bn to fund its new investment plan. Asian markets closed mixed, and are poised for a lower opening today following Wall Street and the futures.
- In the bond market, Treasuries extended losses after better-than-expected US PMIs and jobless claim readings. The 2Y UST yields rose 7bps to 4.94% while the 10Y increased 6bps to 4.48%. 10Y European bond yields also gained between 1-7bps.
- DXY gained for the fourth straight day, by 0.2% d/d and closed above the 105-handle for the first time in a week, at 105.11, following the upbeat US PMI and jobless claims prints. The greenback strengthened against most of its G10 peers and closed mixed against major regional currencies. EUR, GBP and JPY depreciated in tune to 0.1-0.2% d/d against USD, the latter despite BOJ Governor Kazuo Ueda's comments that the economy's poor start to the year won't push the bank from a path of hiking interest rates. On the regional front, CNH, MYR and SGD also weakened in tune to 0.1-0.2% d/d to 7.2578, 4.7038 and 1.3518 respectively.
- Oil prices drifted 0.7-0.9% d/d lower on the back of broader risk-off sentiment and after recent data showing that inventories at Cushing, Oklahoma swelled to its 10-months high.

US composite PMI rose to its 2-year high, gathered momentum in the Eurozone but decelerated in the UK

- US composite PMI showed that business activity growth accelerated sharply to its fastest pace in 2 years in May (54.4 vs 51.3). Both the sectors overshot expectations, with the services sector (54.8 vs 51.3) leading the upturn, while manufacturing (50.9 vs 50.0) also showed stronger growth. Although companies reported lower employment, the rate of job losses moderated amid improved business confidence and higher order book. Of note, both input costs and output prices rose at faster rates, with manufacturing taking

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	39,065.26	-1.53
S&P 500	5,267.84	-0.74
NASDAQ	16,736.03	-0.39
Stoxx Eur 600	521.56	0.07
FTSE 100	8,339.23	-0.37
Nikkei 225	39,103.22	1.26
CSI 300	3,641.79	-1.16
Hang Seng	18,868.71	-1.70
Straits Times	3,322.62	0.44
KLCI 30	1,629.18	0.44
FX		
Dollar Index	105.11	0.17
EUR/USD	1.0815	-0.07
GBP/USD	1.2699	-0.14
USD/JPY	156.93	0.08
AUD/USD	0.6606	-0.21
USD/CNH	7.2578	0.05
USD/MYR	4.7038	0.15
USD/SGD	1.3518	0.07
Commodities		
WTI ($/bbl)	76.87	-0.90
Brent ($/bbl)	81.36	-0.66
Gold ($/oz)	2,337.20	-2.33
Copper ($$/MT)	10,417.50	-0.01
Aluminum($/MT)	2,621.50	-0.57
CPO (RM/tonne)	3,926.00	0.68

Source: Bloomberg, HLBB Global Markets Research
** Dated as of 21 May for CPO*

the lead over the past 2 months.

- PMI showed economic recovery in the eurozone gained momentum in May (52.3 vs 51.7), with faster increases recorded for new orders and employment, while business confidence hit a 27-month high. Price prints were softer m/m, but remained above pre-pandemic. Growth continued to be stable and centred on the services sector (53.3 and below expectations), but manufacturing neared stabilisation and improved more than expected to 47.4 from 45.7 previously. Sharper increases in business activity were recorded in Germany, fell in France and were strongest in the rest of the bloc.
- UK private sector activity grew at a slower than expected pace in May, as a better-than-expected resurgence in the manufacturing sector (51.3 vs 49.1) was weighed down by a sharper-than-expected deceleration in the services sector (52.9 vs 55.0). The composite index was supported by upticks in new order volumes and export sales, but the rate of job creation remained only marginal. The PMI also showed signs of cooling in services inflation, which is needed for BOE to cut rates.
- Japan's private sector accelerated for a third successive month in May and to its fastest since August 2023, hinting at a better 2Q GDP reading. The expansion remained services-led (53.6 vs 54.3), but the near-stabilisation of manufacturing (50.5 vs 49.6) offers hope of growth broadening out. Of note, new orders expanded at a slower pace, which alongside a renewed decline in backlogged work, spells a likely moderation in growth going forward. The rates of input cost and output price inflation both eased, possibly a prelude to softer official price prints ahead.

US labour market remains strong, housing market losing momentum

- High home prices and mortgage rates continued to undermine affordability in the housing market, dragging new home sales down to contract more than expected by 4.7% m/m to 634k in April (Mar: +5.4% m/m). Consequently, the supply of available homes increased to 480k, its highest since 2008 and represented 9.1 months at the current sales rate (up from 8.5 months previously). Despite this, median sales prices remained sturdy and grew by 3.9% y/y to $433.5k (Mar: +0.1% y/y), suggesting pent up demand and glimpses of stability in the housing market going forward.
- Jobless claims posted its biggest back-to-back drop since September, with initial claims falling 8k to 215k for the week ended May 18. This comes after a 9k drop the prior week as claims continued to unwind in California and New York, the latter due the Spring school break. Continuing claims, meanwhile, increased 8k to 1794k the week prior (May 4: +5k), all suggesting that the labour market continues to gradually cool.
- In terms of district activities, the Kansas City manufacturing activity remained negative in May (-2 vs -8) and expectations for future activity grew modestly. Price growth increased on a m/m basis, with raw materials costs outpacing finished product prices, signalling a squeeze in profit margin. The Chicago Fed National Activity Index, meanwhile, worsened to -0.23 in April (Mar: -0.04), with all four categories making negative contributions.

Eurozone's and UK's consumer confidence brightened marginally

- Both the UK and Eurozone's consumer confidence improved marginally in May, with the former coming in better than expected at -17 (Apr: -19), while the latter improved for the fourth consecutive month but was slightly below consensus forecast and its long-term average at -14.3 in May (Apr: -

14.7). Separate report by the ECB also showed that negotiated wages rose 4.7% y/y in 1Q from +4.5% y/y previously. However, the uptick was mainly due to Germany because of its one-off payment, and as such, there will be no change in expectations that the ECB will start cutting rates next month.

Lower inflation expectations in Australia

- The consumer expected inflation rate fell materially to 4.1% in May (Apr: 4.6%). This is the lowest since 3Q of 2021 and reflects a broader trend of moderating expected inflation and relatively stable wage expectations. Softer prices were observed across board, led by a contraction in education costs, but we noted a doubling in costs for fresh food.

Japan's inflation cooled for the second month,

- Inflation cooled for the second month, but stayed above the BOJ's target as the weak yen continued to keep imported inflation elevated. Headline eased less than expected to +2.5% y/y in April, while core, which strips off fresh food, moderated to +2.2% y/y (Mar: +2.7% y/y and +2.6% y/y)

Hong Kong's inflation dropped sharply on public housing rent subsidy

- Inflation unexpectedly dropped sharply to +1.1% y/y in April (Mar: 2.0% y/y). The smaller increase was mainly due to the Government's provision of rates concession for public housing which took effect in April 2024. Stripping this, inflation was mildly lower at +0.9% y/y as compared to +1.0% y/y previously, and should remain contained in the near term. Domestic costs may face some upward pressures along with continued economic growth, but external price pressures should remain on a broad downward trend.

Stable price print for Singapore

- Headline and core inflation matched expectations and held steady at +2.7% y/y and +3.1% y/y respectively in April. According to officials, the headline was unchanged as the fall in services, food and accommodation inflation was broadly offset by the increase in private transport costs and higher inflation for electricity & gas and retail & other goods. Private transport costs accelerated on steeper petrol prices, retail due to the hike in water prices and electricity & gas on account of larger increases in the tariffs. Meanwhile, services inflation dipped on airfares and holiday-related expenses, while accommodation was due to smaller increases in housing rents and cost of housing maintenance & repairs.
- Moving forward, MAS Core Inflation is expected to stay on a gradual moderating trend over the rest of the year and step down more discernibly in 4Q, as import cost pressures continue to decline and tightness in the domestic labour market eases. Private transport and accommodation inflation are expected to moderate amid the larger projected COE supply and housing units available for rental. With this, the Government is projecting both headline and core inflation to average 2.5–3.5% this year, while noting upside risks to prices.

Malaysia's foreign reserves increased $0.5bn in 1H of May

- Foreign reserves rebounded to increase by $0.5bn in 1H of the month to $113.3bn as of mid-May (2H of April: -$0.6bn). This reserves position is sufficient to finance 5.4 months of imports of goods and services, and is 1.0 times of the total short-term external debt

House View and Forecasts

FX	This Week	2Q-24	3Q-24	4Q-24	1Q-25
DXY	103-106	105.43	105.56	103.45	101.38
EUR/USD	1.07-1.10	1.06	1.05	1.06	1.06
GBP/USD	1.25-1.28	1.24	1.22	1.23	1.24
USD/JPY	153-157	152	149	146	143
AUD/USD	0.65-0.68	0.65	0.65	0.65	0.66
USD/MYR	4.66-4.71	4.73	4.68	4.64	4.57
USD/SGD	1.33-1.36	1.35	1.35	1.34	1.33

Rates, %	Current	2Q-24	3Q-24	4Q-24	1Q-25
Fed	5.25-5.50	5.25-5.50	5.25-5.50	5.00-5.25	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-May	MA CPI YoY (Apr)	1.80%
	SI Industrial Production SA MoM (Apr)	-16.00%
	UK Retail Sales Inc Auto Fuel YoY (Apr)	0.80%
	US Durable Goods Orders (Apr P)	2.60%
	US Cap Goods Orders Nondef Ex Air (Apr P)	0.10%
	US U. of Mich. Sentiment (May F)	67.4
	US Kansas City Fed Services Activity (May)	9
27-May	CH Industrial Profits YoY (Apr)	-3.50%
	HK Exports YoY (Apr)	4.70%
	JN PPI Services YoY (Apr)	2.30%

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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