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Global Markets Research

Daily Market Highlights

25 March: Shift in global rate outlook swayed markets

S&P 500 took a breather after a red-hot week, weighed down by retailers

USD strengthened amidst the shift in global rate outlook; treasury yields fell

Oil prices fell amid a stronger greenback; overshadowing supply and geopolitical concerns

- The US equity indices slipped on Friday after a red-hot week of back-to-back record-setting sessions. A drop in retailer shares weighed on Wall Street, sending the Dow and S&P 500 sliding between 0.1- 0.8% d/d, while the tech-heavy Nasdaq added 0.2% d/d. Nike shares sank 6.9% d/d on flat quarterly sales and disappointing guidance, while Lululemon plunged 15.8% after its CEO expressed caution over consumer demand and that the company is navigating a slower start to the year, adding to investors jittery over the health of US consumers.
- European markets closed mixed, with utilities and real estate leading gains while tech, travel and leisure lagged. Asian stocks retreated as the strong USD sapped sentiment, although Nikkei 225 briefly crossed 41k to hit a fresh all-time high.
- In the bond market, the 2Y UST yield fell 5bps to 4.59%, as investors considered when the Fed would begin cutting its interest rates, while the 10Y dropped 7bps to 4.20%. 10Y European bond yields fell between 3-8bps.
- DXY strengthened another 0.4% d/d to 104.43 amidst the notable shift in global rate outlook after the Swiss National Bank (SNB) cut rates while major central banks indicated their intention to do so, and also highlighted the gap in interest rate differential between the policy rates. All G10 and regional currencies weakened against USD except the JPY. A slight rate hike in Japan gave the JPY a slight reprieve, sending the currency appreciating 0.1% d/d. European currencies depreciated between 0.5-0.9% d/d, while in Asia, CNH, MYR and SGD weakened 0.4-0.8% d/d.
- The strong USD also curbed appetite for commodities, sending crude oil prices sliding 0.4-0.5% d/d. This more than offset signs of a tighter supply after the Ukrainian drone strikes on Russian refinery and after Israel said it would invade Rafah, potentially escalating geopolitical tensions. Adding to the crunch is Indian refiners refusing to take Russian crude due to US sanctions.

Flat UK retail sales, improved total orders but below normal; all above forecasts

- Retail sales came much better than expected, with sales flat in February after the prior month's +3.6% m/m increase. Sales volumes in clothing and department stores grew because of new collections but falls in food stores and fuel retailers offset this growth. Online sales increased, particularly for clothing retailers, as wet weather affected footfall. As it is, consumers appear to shake off the pinch from the higher cost of living and offer hopes that the technical recession in 2H of 2023 will be short-lived. Moving forward, the prospect of interest rate cuts, higher real wages and 2% cut to

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	39,475.90	-0.77
S&P 500	5,234.18	-0.14
NASDAQ	16,428.82	0.16
Stoxx Eur 600	509.64	-0.03
FTSE 100	7,930.92	0.61
Nikkei 225	40,888.43	0.18
CSI 300	3,545.00	-1.01
Hang Seng	16,499.47	-2.16
Straits Times	3,217.97	-0.07
KLCI 30	1,542.39	0.06
FX		
Dollar Index	104.43	0.41
EUR/USD	1.0808	-0.48
GBP/USD	1.2601	-0.45
USD/JPY	151.41	-0.14
AUD/USD	0.6515	-0.84
USD/CNH	7.2761	0.75
USD/MYR	4.7365	0.45
USD/SGD	1.3486	0.35
Commodities		
WTI (\$/bbl)	80.63	-0.54
Brent (\$/bbl)	85.43	-0.41
Gold (\$/oz)	2,160.00	-1.13
Copper (\$\$/MT)	8,866.50	-0.94
Aluminum(\$/MT)	2,309.00	0.33
CPO (RM/tonne)	4,376.00	0.25

Source: Bloomberg, HLBB Global Markets Research

* Dated as of 21 March for CPO

national insurance in April is supportive of consumer spending going forward.

- CBI trends total orders remained below “normal” in March, although unexpectedly improved slightly to -18% from -20% the prior month. Moving forward, manufacturers expect output to rise modestly in 2Q and selling prices to rise a little due to some pressure on input costs. The Chancellor’s announcement of plans to extend full capital expensing to leased and rented assets was a welcome step that will help smaller and medium-sized manufacturers in particular.

Germany’s business sentiment improved noticeably, driven by the services sector

- Sentiment in German companies improved noticeably and more than expected in March, with the ifo Business Climate Index rising to 87.8 (Feb: 85.7). In particular, companies’ expectations turned much less pessimistic, while assessments of the current business situation also improved. While it is still too early to say that the economy has reached a turning point, the latest data offers glimpses of light for the economy and there were some bright spots, like the strong hospitality sector and improvements in retail, in line with consumer confidence.

Malaysia’s foreign reserves fell to \$113.4bn as of mid-March

- Foreign reserves fell another \$0.9bn to \$113.4bn as at 15 March (2H of Feb: -\$1.1bn). The 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	1Q-24	2Q-24	3Q-24	4Q-24
DXY	102-106	101.84	101.33	100.82	100.32
EUR/USD	1.07-1.10	1.10	1.11	1.11	1.10
GBP/USD	1.25-1.28	1.28	1.29	1.29	1.27
USD/JPY	148-153	142	140	137	134
AUD/USD	0.64-0.68	0.68	0.68	0.69	0.70
USD/MYR	4.68-4.74	4.69	4.66	4.62	4.56
USD/SGD	1.33-1.36	1.33	1.32	1.31	1.30

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 - 0.10	0 - 0.10	0 - 0.10	0 - 0.10
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
25-March	MA CPI YoY (Feb)	1.50%
	JN Leading Index CI (Jan F)	109.9
	SI CPI YoY (Feb)	2.90%
	UK CBI Retailing Reported Sales (Mar)	-7
	US Chicago Fed Nat Activity Index (Feb)	-0.3
	US New Home Sales MoM (Feb)	1.50%
	US Dallas Fed Manf. Activity (Mar)	-11.3
26-March	AU Westpac Consumer Conf Index (Mar)	86
	JN PPI Services YoY (Feb)	2.10%
	SI Industrial Production SA MoM (Feb)	-5.70%
	HK Exports YoY (Feb)	33.60%

US Philadelphia Fed Non-Manufacturing Activity (Mar)	-8.8
US Durable Goods Orders (Feb P)	-6.20%
US Cap Goods Orders Nondef Ex Air (Feb P)	0.00%
US FHFA House Price Index MoM (Jan)	0.10%
US S&P CoreLogic CS US HPI YoY NSA (Jan)	5.53%
US Conf. Board Consumer Confidence (Mar)	106.7
US Richmond Fed Manufact. Index (Mar)	-5
US Richmond Fed Business Conditions (Mar)	-7
US Dallas Fed Services Activity (Mar)	-3.9

Source: Bloomberg

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