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Global Markets Research

Daily Market Highlights

26 Feb: Quiet trading in Wall Street

UST yields fell, DXY closed just below the flatline amidst an empty US economic calendar
Contraction in China's home prices narrowed, FDI plunged double digit in January
Milder than expected inflation prints for Malaysia and Singapore

- Trading action was quiet in Wall Street on Friday, with S&P 500 and Dow Jones Industrial Average adding less than 0.2% d/d each, while some profit taking sent Nasdaq down 0.3% d/d. This comes one day after the index soared 3.0% d/d, its largest 1-day jump in a year due to Nvidia. Palo Alto Networks shares recovered 5.3% d/d from its plunge earlier in the week after it cut its forecast, and was one of the leading gainers in S&P 500. Warner Bros was amongst the laggards, falling 9.9% d/d after its revenue and earnings missed expectation.
- Elsewhere, European stocks extended their positive momentum with autos and chemical sectors leading gains, while technology and energy fell. Shares of Standard Chartered jumped after unveiling a \$1bn share buyback after its profit beat. Asian markets closed mixed, with China stocks rising for the ninth straight session as investors digested the property prices data.
- Treasuries posted modest gains amidst an empty economic calendar on the US front, sending yields down between 2-9bps across the curve, The 2Y closed down 2bps to 4.69% and the 10Y slipped 7bps to 4.25%. 10Y European bond yields fell between 2-11bps.
- DXY finished little changed at 103.94, close to the middle of the days' 103.77-104.05, but still below 104-handle for the second day. As it is, the greenback saw some support from Fed officials' comments earlier in the week that they want more evidence of inflation heading back to the 2% target before cutting rates. G10 currencies closed mixed against USD in tune to +/-0.3% d/d, while regional currencies mostly weakened against greenback save for the JPY.
- Prices of crude oil fell between 2.5-2.7% d/d amidst lack of catalyst on Friday. As it is, prices for crude oil have been caught between bullish tailwinds from geopolitical concerns and OPEC+ output cut and bearish views from flagging demand concerns from China.

Eurozone's 1Y inflation expectations edged up; Slightly less pessimistic German business sentiment

- ECB 1Y CPI expectations edged up to 3.3% in January (Dec: 3.2%) while those for inflation 3 years ahead unexpectedly held steady at 2.5%. Both remained well below the perceived past inflation rate, while uncertainty about inflation expectations over the next 12 months also remained stable.
- Sentiment among German companies was slightly less pessimistic, with the Ifo Business Climate Index rising to 85.5 points in February (Jan: 85.2). Assessments of the current situation remained unchanged, as positive and negative responses were nearly in balance. All in, these suggest that the German economy is stabilizing at a low level.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	39,131.53	0.16
S&P 500	5,088.80	0.03
NASDAQ	15,996.82	-0.28
Stoxx Eur 600	497.25	0.43
FTSE 100	7,706.28	0.28
Nikkei 225	39,098.68	2.19
CSI 300	3,489.74	0.09
Hang Seng	16,725.86	-0.10
Straits Times	3,184.91	-1.18
KLCI 30	1,549.11	0.23
FX		
Dollar Index	103.94	-0.02
EUR/USD	1.0821	-0.02
GBP/USD	1.2672	0.09
USD/JPY	150.51	-0.01
AUD/USD	0.6562	0.08
USD/CNH	7.2057	0.05
USD/MYR	4.7773	0.04
USD/SGD	1.3431	0.01
Commodities		
WTI (\$/bbl)	76.49	-2.70
Brent (\$/bbl)	81.62	-2.45
Gold (\$/oz)	2,038.60	0.94
Copper (\$\$/MT)	8,567.50	-0.20
Aluminum (\$/MT)	2,180.00	-0.82
CPO (RM/tonne)	4,001.50	0.04

Source: Bloomberg, HLBB Global Markets Research

* Dated as of 22 Feb for CPO

Japan's Services PPI unexpectedly eased to +2.1%

- Data this morning showed that services producer prices (PPI) unexpectedly eased to +2.1% y/y in January (Dec: 2.4% y/y) and registered its first monthly contraction since June 2023. The 0.5% m/m contraction during the month (Dec: +0.1% m/m) was underpinned by a decline in prices across most sub-components save leasing and rental (0% vs -0.2% m/m), and will give more ammunition to BOJ to maintain its ultra-loose policy in the near term.

Contraction in China's home prices narrowed, FDI plunged double digit in January

- The contraction in home prices, both new and used, narrowed to -0.4% m/m and -0.7% m/m in January (Dec: -0.5% m/m and -0.8% m/m), with prices for the former falling in 56 cities rather than 62 previously. This is the first sign of improvement in 10 months and albeit soft, prices will be supported by intensified stimulus measures announced recently going forward. Amongst others, this includes the cut in the 5Y lending rates to support the ailing housing market and increased pressure on banks to boost their property loans through so-called white lists. Separately, investors remain cautious on investing in China, with foreign direct investment plunging 11.7% y/y in January (2023: -8.0% y/y).

Singapore's inflation unexpectedly eased despite GST hike

- Defying expectations, both headline and core consumer prices unexpectedly eased to +2.9% y/y and +3.1% y/y respectively in January (Dec: +3.7% y/y and +3.3% y/y) amidst smaller gains in costs of services and food, as well as accommodation and private transport. Moving forward, while core inflation is expected to pick up in February due to the Lunar New year, price should resume its gradual moderating trend on the back of lower imported costs, signs of easing demand-pull price pressures as well as large supply of COE and housing units for rent. While this would give the central bank more leeway to loosen its policy settings later in the year should the need arise, there is no change in our view that MAS will stay pat when they next meet in April and for the rest of 2024 at this juncture.

Benign inflation outlook for Malaysia

- Malaysia's headline CPI stabilized for the 3rd straight month at +1.5% y/y in January, contrary to our expectation for an easing to +1.4% y/y and consensus estimate for an uptick to +1.6% y/y. Core inflation, meanwhile, tapered off for the 4th straight month to 1.8% y/y in January (Dec: +1.9% y/y), its lowest in nearly two years while services CPI held steady at +1.9% y/y in January, after easing in the last ten months. Month-on-month, consumer prices sustained a 0.2% m/m increase, the same pace as the preceding month. This confirmed that inflation outlook remained very well-contained on the back of easing food inflation and in the absence of any demand or supply driven shocks. We expect CPI to settle within its long run average of 2- 3%, allowing BNM to keep OPR steady at 3.00% through the year.

House View and Forecasts

FX	This Week	1Q-24	2Q-24	3Q-24	4Q-24
DX	102-105	101.84	101.33	100.82	100.32
EUR/USD	1.07-1.10	1.10	1.11	1.11	1.10
GBP/USD	1.25-1.29	1.28	1.29	1.29	1.27
USD/JPY	148-152	142	140	137	134
AUD/USD	0.64-0.67	0.68	0.68	0.69	0.70

USD/MYR	4.74-4.80	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	-0.10	-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
26-Feb	SI Industrial Production SA MoM (Jan)	-1.70%
	UK CBI Total Dist. Reported Sales (Feb)	-33
	US New Home Sales MoM (Jan)	8.00%
	US Dallas Fed Manf. Activity (Feb)	-27.4
27-Feb	JN Natl CPI YoY (Jan)	2.60%
	HK Exports YoY (Jan)	11.00%
	US Durable Goods Orders (Jan P)	0.00%
	US Cap Goods Orders Nondef Ex Air (Jan P)	0.20%
	US FHFA House Price Index MoM (Dec)	0.30%
	US S&P CoreLogic CS 20-City MoM SA (Dec)	0.15%
	US Richmond Fed Manufact. Index (Feb)	-15
	US Conf. Board Consumer Confidence (Feb)	114.8
	US Richmond Fed Business Conditions (Feb)	-3
	US Dallas Fed Services Activity (Feb)	-9.3

Source: Bloomberg

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