

26 March 2024

Global Markets Research

Daily Market Highlights

26 March: Muted US markets ahead of a holiday shortened week

Investors on hold awaiting PCE prices; US stocks, bonds and DXY saw modest falls

Signs of stability in UK's retail sales, slight dip anticipated in April; GBP strengthened

Singapore & Malaysia's CPI quickened; Japan's services PPI steadies

- Wall Street posted small losses to start the holiday shortened trading week, with investors also largely on hold awaiting the key PCE prices on Friday. The three major indices slid 0.3-0.4% d/d each, with shares of Intel and AMD falling on reports that China will limit use of US chips while United Airlines dropped 3.4% d/d after the Federal Aviation Administration said it would be heightening its scrutiny of the carrier after a series of safety incidents. In Fed speak, President Raphael Bostic repeated his expectations of just one cut in 2024.
- European markets also closed little changed, with oil and gas stocks leading gains for Stoxx Eur 600 while media stocks lagged. FTSE 100, on the other hand, fell 0.2% d/d. Amongst prominent individual stocks, UK's Direct Line sank 11.3% d/d after Ageas confirmed it would not make an offer for the fellow insurance firm. Asian stocks closed mostly in the red, with Nikkei 225 snapping its 4 days winning streak and is expected to continue with its weaker momentum today after the retreat in US stocks overnight and following futures as a guide.
- In the Treasuries market, bond yield rose in tune to 4-5bps across the curve. The 2Y closed up 4bps to 4.63%, while the 10Y rose 5bps to 4.25%. 10Y European bond yields also gained in tune to 2-6bps.
- DXY fell 0.2% d/d to close at 104.22, just off the day's low of 104.14. AUD and NOK led gains against USD by 0.4% d/d each, the latter lifted by higher oil prices. EUR gained 0.3% d/d, supported by higher yields. Overnight, ECB Chief Economist Philip Lane said that pay growth in the bloc is returning to more normal levels. In Asia, regional currencies closed mixed, with CNH strengthening 0.3% d/d after PBoC signalled support for the currency. SGD and MYR also appreciated 0.2-0.3% d/d after both their inflation came hotter than expected.
- Oil prices rebounded by 1.6% d/d on signs that OPEC+ will stick with its current output cut when delegates meet next week and on geopolitical unrest after continued Ukrainian drone strikes on Russia's refinery crimped output. Rosneft's Kuibyshev oil refinery in Samara was reportedly forced to halt half its capacity after the attack on Saturday.

US new home sales unexpectedly fell

- New home sales unexpectedly fell 0.3% m/m in February (Jan: +1.7% m/m) but data for the prior month was revised higher, pointing to uneven recovery for the housing market. New home sales are counted at the signing of a contract, making them a leading indicator of the housing market. While the housing market continues to grapple with still tight inventory, more new home supply is in the pipeline, coupled with a solid

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	39,313.64	-0.41
S&P 500	5,218.19	-0.31
NASDAQ	16,384.47	-0.27
Stoxx Eur 600	509.86	0.04
FTSE 100	7,917.57	-0.17
Nikkei 225	40,414.12	-1.16
CSI 300	3,525.76	-0.54
Hang Seng	16,473.64	-0.16
Straits Times	3,198.10	0.00
KLCI 30	1,537.54	-0.31
FX		
Dollar Index	104.22	-0.20
EUR/USD	1.0837	0.27
GBP/USD	1.2636	0.28
USD/JPY	151.42	0.01
AUD/USD	0.6540	0.38
USD/CNH	7.2531	-0.32
USD/MYR	4.7238	-0.27
USD/SGD	1.3460	-0.19
Commodities		
WTI (\$/bbl)	81.95	1.64
Brent (\$/bbl)	86.75	1.55
Gold (\$/oz)	2,176.40	0.76
Copper (\$\$/MT)	8,873.00	0.07
Aluminum(\$/MT)	2,326.00	0.74
CPO (RM/tonne)	4,339.50	-0.83

Source: Bloomberg, HLBB Global Markets Research

* Dated as of 22 March for CPO

labour market, stabilized and lower mortgage rates and the upcoming spring selling seasons should all result in a sustained comeback in the housing market.

- District manufacturing activities were mixed. The Chicago Fed National Activity Index improved more than expected to +0.05 in February (Jan: -0.54), with all four broad sub-indices increasing m/m. In contrast, the Dallas Fed Manufacturing Activity continued to worsen, unexpectedly weakening to -14.4 in March (Feb: -11.3). The company outlook index also slipped from -8.5 to -16.2 but expectations regarding future manufacturing activity generally improved.

UK's retail sales stabilised

- According to the CBI, British retail sales edged up in March after falling in the previous 10 months but stores expect sales volumes to slip again in April. Its gauge of sales unexpectedly rose to +2 (Feb: -7) but retailers expected the decline in sales to resume in April at -25. The stabilisation of retail sales in March should give some hope that the sector's downturn is bottoming out, but the earlier timing of Easter will likely mean weaker y/y sales in April. Easing inflation should nonetheless support retail spending going forward.

Australia's consumer confidence remained below 100

- Westpac consumer confidence index fell to 84.4 in March (Feb: 86.0) as households remain concerned about their finances and the near-term prospects of the economy. Sentiment also made a sharp turnaround following RBA's decision with little signs that interest rates are coming down. While few expected rates to be cut, most may have been looking for a more positive message on the inflation and interest rate outlook front.

Japan's services PPI held steady

- Matching expectations, services PPI held steady for the second month at +2.1% y/y in February but rebounded on a m/m basis by +0.2% m/m (Jan: -0.5% m/m). The rebound was led by higher costs of transportation and postal services, hotels as well as real estate. As it is, the rate of change in PPI relative to three months earlier had been slightly positive recently, partly due to the impact of the rise in crude oil prices during summer 2023, while the BOJ expects CPI is likely to be above 2% through fiscal 2024.

Singapore's inflation quickened more than expected on strong seasonal demand

- Both headline and core inflation quickened more than expected to +3.4% y/y and +3.6% y/y respectively in February (Jan: +2.9% y/y and +3.1% y/y) driven by seasonally strong demand due to Lunar New Year, and thus, is unlikely to provide any fresh impetus for MAS to alter its monetary stance in April. Core, at this level is the fastest pace in 7 months, but also remains in line with MAS's projection of 2.5-3.5% this year. Driving the higher prices during the month was food and services, the latter due to higher airfares and steeper increase in holiday expenses.

Malaysia's headline CPI picked up more than expected to 1.8% y/y in February; core steady

- Headline CPI gained speed for the first time since Aug-2022, to +1.8% y/y in February, bouncing off a near three-year low of +1.5% y/y seen in January, surpassing both ours as well as market consensus estimates. The

adjustment in water tariffs for the domestic category in Peninsular Malaysia and Labuan, coupled with the 5th straight month of increase in transport prices, contributed to the sharp rise in non-food inflation (from +1.1% to +1.7% y/y), and hence, overall CPI.

- Inflation outlook is expected to remain well-contained in the 2.0-3.0% levels barring any supply and demand shocks, and assuming gradual and phased implementation of subsidy rationalization plan with potential delay in RON95 subsidy reform towards the later part of the year. The pace and rate of increase in the Malaysian CPI will be subject to the timing and quantum of subsidy adjustment. That said, there could potentially be upside risks from imported inflation and higher input costs in view of prevailing MYR weakness as well as geo-political and weather-induced increase in global commodity prices. We are maintaining our view for CPI to settle between 2.2-3.2% this year, allowing BNM to keep OPR steady at 3.00% in 2024.

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
26-March	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
27-March	US Dallas Fed Services Activity (Mar)	-3.9
	AU Westpac Leading Index MoM (Feb)	-0.08%
	UK Lloyds Business Barometer (Mar)	42
	AU CPI YoY (Feb)	3.40%
	CH Industrial Profits YTD YoY (Feb)	-2.30%
	EC Economic Confidence (Mar)	95.4
	US MBA Mortgage Applications	-1.60%

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

DISCLAIMER

This report is for information purposes only and does not take into account the investment objectives, financial situation or particular needs of any particular recipient. The information contained herein does not constitute the provision of investment advice and is not intended as an offer or solicitation with respect to the purchase or sale of any of the financial instruments mentioned in this report and will not form the basis or a part of any contract or commitment whatsoever.

The information contained in this publication is derived from data obtained from sources believed by Hong Leong Bank Berhad ("HLBB") to be reliable and in good faith, but no warranties or guarantees, representations are made by HLBB with regard to the accuracy, completeness or suitability of the data. Any opinions expressed reflect the current judgment of the authors of the report and do not necessarily represent the opinion of HLBB or any of the companies within the Hong Leong Bank Group ("HLB Group"). The opinions reflected herein may change without notice and the opinions do not necessarily correspond to the opinions of HLBB. HLBB does not have an obligation to amend, modify or update this report or to otherwise notify a reader or recipient thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

HLB Group, their directors, employees and representatives do not have any responsibility or liability to any person or recipient (whether by reason of negligence, negligent misstatement or otherwise) arising from any statement, opinion or information, expressed or implied, arising out of, contained in or derived from or omission from the reports or matter.

Potential and actual conflict of interest may arise from the activities of HLB Group. HLB Group constitute a diversified financial services group. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, hedging transactions and other activities for their own account or the account of others. In the ordinary course of their business, HLB Group may effect transactions for their own account or for the account of their customers and hold long or short positions in the financial instruments. HLB Group, in connection with its business activities, may possess or acquire material information about the financial instruments. Such activities and information may involve or have an effect on the financial instruments. HLB Group have no obligation to disclose such information about the financial instruments or their activities.

The past performance of financial instruments is not indicative of future results. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Any projections or forecasts mentioned in this report may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information. No assurance can be given that any opinion described herein would yield favourable investment results. Recipients who are not market professional or institutional investor customer of HLBB should seek the advice of their independent financial advisor prior to taking any investment decision based on the recommendations in this report.

HLBB may provide hyperlinks to websites of entities mentioned in this report, however the inclusion of a link does not imply that HLBB endorses, recommends or approves any material on the linked page or accessible from it. Such linked websites are accessed entirely at your own risk. HLBB does not accept responsibility whatsoever for any such material, nor for consequences of its use.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. This report is for the use of the addressees only and may not be redistributed, reproduced or passed on to any other person or published, in part or in whole, for any purpose, without the prior, written consent of HLBB. The manner of distributing this report may be restricted by law or regulation in certain countries. Persons into whose possession this report may come are required to inform themselves about and to observe such restrictions. By accepting this report, a recipient hereof agrees to be bound by the foregoing limitations.