

27 February 2024

## Global Markets Research

### Daily Market Highlights

## 27 Feb: Markets waiting for clues on the US economy

**US equities drifted lower; UST yields gained; DXY fell slightly and mixed against G10**

**US new home sales grew for the second month, albeit more moderately**

**Japan's inflation stayed above 2%; Singapore's IPI turned positive but disappointed**

- US stocks drifted lower between 0.1-0.4% d/d in a subdued trading session as investors largely awaited catalysts on the economic front and more importantly, the highly tracked core-Personal Consumption Expenditure price later in the week. Most of the sectors declined, paced by utilities and communication services. Amazon, meanwhile, joined the 30-stock Dow on Monday, replacing Walgreens Boots Alliance, while shares of Berkshire Hathaway retreated 1.9% d/d after posting solid 4Q gains.
- Similarly, European markets also closed mostly lower, but shares of Denmark's Zealand Pharma soared after reporting promising weight loss drug trial results. Asian stocks seesawed as Nikkei 225 extended rally to a new all-time high, but CSI 300 winning streak ended. In Korea, Kospi trimmed its losses but not enough to push the index into the green after the authorities planned to push listed companies to improve their corporate governance.
- Treasuries resumed their selloffs, sending yields up in tune to 2-4bps across the curve. The 2Y yield rose 3bps to 4.72% while the 10Y gained 3bps to 4.28%. 10Y European bond yields meanwhile, gained between 1-9bps.
- DXY closed with a modest 0.1% d/d decline to 103.83, in between the session high of 104.02 and session low of 103.71. G10 and regional currencies closed mixed against the greenback, with European currencies strengthening between 0.1-0.3% d/d vis-à-vis USD, but JPY, CNH and SGD depreciated 0.1% d/d each. MYR closed flat at 4.7773.
- Oil prices jumped between 1.1-1.4% d/d amidst stepped up US and allied strikes on Houthi targets and on reports of possible shipping disruptions. Accordingly, limited US refinery output due to planned maintenance and overhauls resulted in US diesel exports to Europe falling in February. Prices also got some support from a brief shutdown in exports from an oil field in western Libya during the weekend.

#### US new home sales grew for the second month, albeit more moderately

- New home sales expanded for the second month, albeit softer than expected by +1.5% m/m to 661k in January (Dec: Downwardly revised +7.2% m/m) as builders and buyers took advantage of the lower rates at the start of the year. In tandem with this, the median sales fell 2.6% y/y to \$420.7k, marking the fifth straight month of y/y decline as more homes became available but prices were still up 1.8% m/m (Dec: -3.5% m/m). Accompanying data showed that new home supply rose to 456k from 452k the previous month, representing a steady supply of 8.3 months at the current sales rates.
- The Dallas Fed Manufacturing Activity index was less negative than expected in February at -11.3 (Jan: -27.4). Most sub-indices indicated stability for the sector, especially with the new orders index registering its first positive reading

#### Key Market Metrics

	Level	d/d (%)
<b>Equities</b>		
Dow Jones	39,069.23	-0.16
S&P 500	5,069.53	-0.38
NASDAQ	15,976.25	-0.13
Stoxx Eur 600	495.43	-0.37
FTSE 100	7,684.30	-0.29
Nikkei 225	39,233.71	0.35
CSI 300	3,453.36	-1.04
Hang Seng	16,634.74	-0.54
Straits Times	3,171.12	-0.43
KLCI 30	1,547.60	-0.10
<b>FX</b>		
Dollar Index	103.83	-0.10
EUR/USD	1.0851	0.28
GBP/USD	1.2685	0.10
USD/JPY	150.70	0.13
AUD/USD	0.6540	-0.34
USD/CNH	7.2112	0.08
USD/MYR	4.7773	0.00
USD/SGD	1.3444	0.10
<b>Commodities</b>		
WTI (\$/bbl)	77.58	1.43
Brent (\$/bbl)	82.53	1.11
Gold (\$/oz)	2,028.50	-0.50
Copper (\$\$/MT)	8,466.00	-1.18
Aluminum(\$/MT)	2,180.00	0.00
CPO (RM/tonne)	3,956.50	-1.12

Source: Bloomberg, HLBB Global Markets Research

\* Dated as of 23 Feb for CPO

since May 2022. More importantly, expectations regarding future manufacturing activity improved, with the future production index holding steady at 22.4, and the future general business activity index shooting up 17 points to 6.2, returning to positive territory after 6 months of negative readings.

#### Slump in UK's retail sales eased

- The CBI Retailing Reported Sales index fell at a modest pace in the year to -7% in February, following a rapid decline of -50% in January. Although better than expected and marking the slowest decline in over the 10-month period of contraction, retailers expect the contraction to worsen again the following month (-15%) and in tandem with this, retailers are still planning to reduce headcount and investment. Many also expect to see further pressure on their margins due to the upcoming hikes in business rates and the National Living Wage.

#### Japan's inflation slowed more than expected, still above targeted 2%

- Inflation, both headline and core slowed less than expected to 2.2% y/y and +2.0% y/y in January (Dec: +2.6% y/y and +2.3% y/y). As it is, Governor Kazuo Ueda has expressed confidence of anchoring inflation above the government's target of 2% and inflation reading is expected to pick up in February as the impact from the government's price relief measures fades on a y/y basis, boosting market expectations that the BOJ is nearing the end of its ultra-loose monetary policy soon.

#### Singapore's IPI growth turned positive but disappointed

- Growth in industrial production (IPI) came below expectations in January, with output rebounding by 1.1% on a y/y basis but remained contractionary at 5.7% m/m (Dec: -2.4% y/y and -1.3% m/m). Contributing to the softer than expected growth during the month was a wider contraction in pharmaceutical products while production of electronics also fell 3.4% y/y (Dec: +6.2% y/y) due to semiconductors, other electronic modules and computer peripherals & data storage segments.
- As it is, data over the January-February months tends to be volatile due to the timing of the Lunar New Year, while winter conditions in the US and China and longer shipping times due to the Red Sea tension could also contribute to the underperformance of the manufacturing sector during the month. There is no change that the sector is expected to pick-up throughout 2024 on the back of a recovery in the electronics sector as well as the global economy.

#### 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
27-Feb	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
28-Feb	AU CPI YoY (Jan)	3.40%
	EC Economic Confidence (Feb)	96.2
	US MBA Mortgage Applications	-10.60%
	US GDP Annualized QoQ (4Q S)	3.30%
	US Advance Goods Trade Balance (Jan)	-\$88.5b
	HK GDP SA QoQ (4Q F)	0.50%

Source: Bloomberg

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