27 March 2024

Global Markets Research

Daily Market Highlights

27 March: Modest markets ahead of end of quarter

US equities closed lower; DXY slightly higher; Treasuries mixed on signs of profit-taking
US durable goods orders rose; consumers turned more pessimistic
BOE's Mann: Financial markets pricing in too many cuts, unlikely to move before the Fed

- US stocks wiped out gains in the final hour of Wall Street trading, as investors rebalanced their portfolios and profit take on the strong gains for the quarter. These sent the 3 major US equity indices down for the third day, sliding by 0.1-0.4% d/d. Nonetheless, Micron Technology added 1.4% d/d after hitting an all-time high earlier, while other top performers include Seagate Technology and Tesla. Krispy Kreme shares also rallied 39.4% d/d, after the doughnut retailer announced it would expand its partnership with McDonald's.
- European markets closed mostly higher but are expected to remain largely range bound this week as the markets head into a long weekend. Notable movers were Maersk, which fell 2.4% d/d after confirming it had chartered the container ship which crashed into the Francis Scott Key Bridge, and BNP Paribas, which rallied 2.9% d/d after a Goldman Sachs analyst upgraded the lender to "buy." Asian markets, meanwhile, took a breather following Wall Street's rally pause, and is expected for a downbeat open following US and the futures today.
- Save the 2Y, Treasury yields closed modestly lower by 1-2bps, with a slip in risk appetite giving Treasuries a boost in the late afternoon. The 2Y closed up 1bps to 4.59%, but the 10Y closed 1bps lower at 4.23%. 10Y European bond yields also slid between 1-4bps, with the exception of the Swedish and Norwegian sovereign bonds.
- DXY recovered from its day low of 104.01 to close slightly firmer by 0.1% d/d at 104.30. G10 currencies weakened against USD save for the NZD and CAD. EUR and GBP depreciated slightly by less than 0.1% d/d each, with GBP giving up some of its gains despite BOE's Catherine Mann saying that financial markets are pricing in too many cuts and that it's unlikely that the BOE will move before the Fed. AUD was also 0.1% d/d weaker as commodity prices fell. Regional currencies closed mixed against greenback, within a narrow band of -0.1 to +0.3% d/d.
- Oil prices swung between gains and losses before closing lower between 0.4-0.6% d/d. Nonetheless, prices remained supported by expectations that OPEC+ will affirm its policy of production cuts amidst the geopolitical tensions in the Middle East and Russia.

US consumer confidence slipped on expectations index; durable goods recorded its first growth in 3 months; home prices accelerated on a yearly basis

- Fresh economic data suggests that the economy remains solid, with orders for durable goods surging but consumer confidence was a dampener. The Conference Board's Consumer Confidence index held steady in March, but

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	39,282.33	-0.08
S&P 500	5,203.58	-0.28
NASDAQ	16,315.70	-0.42
Stoxx Eur 600	511.09	0.24
FTSE 100	7,930.96	0.17
Nikkei 225	40,398.03	-0.04
CSI 300	3,543.75	0.51
Hang Seng	16,618.32	0.88
Straits Times	3,233.33	0.00
KLCI 30	1,538.42	0.06
FX		
Dollar Index	104.30	0.07
EUR/USD	1.0831	-0.06
GBP/USD	1.2628	-0.06
USD/JPY	151.56	0.09
AUD/USD	0.6533	-0.11
USD/CNH	7.2487	-0.06
USD/MYR	4.7205	-0.07
USD/SGD	1.3457	-0.02
Commodities		
WTI ($/bbl)	81.62	-0.40
Brent ($/bbl)	86.25	-0.58
Gold ($/oz)	2,177.20	0.04
Copper ($$/MT)	8,862.00	-0.12
Aluminum($/MT)	2,303.50	-0.97
CPO (RM/tonne)	4,337.00	-0.06

Source: Bloomberg, HLBB Global Markets Research
** Dated as of 25 March for CPO*

came significantly below forecasts at 104.7 (Feb: 104.8), as brighter perceptions of the current economic conditions eclipsed the rising anxiety about the future. The Expectations Index fell to 73.8 (Feb: 76.3), its lowest since October 2023 as consumers' outlook for future business conditions, labor market conditions, and income expectations all deteriorated, suggesting that consumers have and are expected to pare down purchases of interest-rate sensitive and discretionary items going forward. On a positive note, planned spending for services increased on a y/y basis, especially for health care, motor vehicle services and accommodation, the latter reflecting still robust demand for travel and is in line with the expansionary services PMI and ISM.

- Durable goods beat expectations and recorded its first rise in 3 months. While details suggest that business investment outlook remains cloudy, we opine that business spending is beginning to recover, supported by anticipation of a pick-up in the manufacturing sector as well as easing corporate bond yields. Orders for durable goods rose 1.4% m/m in February after a downward revision to January's -6.9% m/m, but core capital goods, used to calculate GDP, fell 0.4% m/m (Jan: +0.8% m/m). The rebound was led by a 24.6% m/m jump in demand for civilian aircraft after plummeting previously due to Boeing, further supported by stronger demand for motor vehicles, primary metals and machinery, the trio supporting our view that manufacturing is regaining its footing.
- District indices remained soft but on balance, expectations regarding future business activities continued to reflect optimism over growth going forward. The Richmond Fed Manufacturing Index unexpectedly slowed to -11 in March (Feb: −5), while firms' optimism about local business conditions edged down to -8 (Feb: -7) for the services sector. Similarly, regional indices for non-manufacturing for the Philadelphia and Dallas districts also worsened to -18.3 and -5.5 respectively (Feb: -8.8 and -3.9).
- In the housing markets, home prices continued to struggle m/m in the face of elevated borrowing costs, but home prices continued and are expected to post strong gains going forward driven by low inventory levels, healthy pent-up demand and more importantly, a resilient labour market. Both the FHFA House Price and S&P CoreLogic Case-Shiller Home Price indices accelerated to 6.3% y/y and +6.0% y/y in January (Dec: +5.4% y/y and +5.6% y/y), the latter above expectations and at its fastest pace since 2022.

UK's business barometer held steady

- Data this morning showed that Lloyds Business Barometer unexpectedly held steady at 42 in March, with all sub-indicators relatively stable and reinforces expectations that the economy may have bottomed out. All sub-indices were relatively stable, with a slight uptick in current economic optimism offset by a downtick in prices charged next 12 months.

Australia's leading index turned positive

- Westpac Leading index turned around to register positive growth of +0.08% m/m in February (Jan: -0.08%), with gains concentrated and driven by the S&P/ASX 200, yield spread and Westpac-MI UE Index sub-indices. A forward gauge for growth in the next 6-9 months and the first growth in 3 months, this suggests that the economy is on a tentative stabilisation and is expected to remain subdued in the near term.

Hong Kong's exports fell in February, but E&E remained positive

- Exports slowed more than expected, as slow global economic growth and geopolitical tensions continue to crimp external demand. Exports fell 0.8% y/y in February's after January +33.6% y/y jump and YTD sales were a strong 16.6% y/y, partially due to slow base effect. Exports to China and the US rose notably, while those to the EU fell. Exports to the Asian markets were mixed. On a positive note, exports of exports and electrical goods (E&E) remained in the positive territory, in line with the recovery in the global E&E cycle and the expected easing of global monetary conditions later in the year may lend some support for external demand.

Singapore IPI beats forecast

- IPI unexpectedly accelerated to +3.8% y/y in February (Jan: +0.6% y/y) in a sign that the manufacturing sector is gathering momentum and that the economy will stay resilient for the MAS to maintain status quo when they meet next month. Driving output was a +27.4% y/y surge in the volatile biomedical sector, as well as a rebound in electronics production (+2.6% y/y vs -4.7% y/y), the latter in line with the positive trend in external demand globally. On the contrary, lower output in the precision engineering and general manufacturing cluster weighed on the sector.

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
27-March	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%
28-March	AU Consumer Inflation Expectation (Mar)	4.50%
	AU Private Sector Credit MoM (Feb)	0.40%
	AU Job Vacancies QoQ (Feb)	-0.70%
	AU Retail Sales MoM (Feb)	1.10%
	UK GDP QoQ (4Q F)	-0.30%
	US GDP Annualized QoQ (4Q T)	3.20%
	US Initial Jobless Claims	210k
	US MNI Chicago PMI (Mar)	44
	US Pending Home Sales MoM (Feb)	-4.90%
	US U. of Mich. Sentiment (Mar F)	76.5
	US Kansas City Fed Manf. Activity (Mar)	-4

Source: Bloomberg

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