

28 February 2024

Global Markets Research

Daily Market Highlights

28 Feb: Mixed markets ahead of key US data

US stock & bond markets closed mixed, DXY closed flat; All eyes on 4Q GDP today

Oil prices rose; Maersk warned that Red Sea disruptions could last into 2H

Hong Kong set to unveil Budget with property and tourism in focus

- The S&P 500 and the Nasdaq ended Tuesday's session with modest gains of 0.2-0.4% d/d, as investors largely prepped for the key inflation data to be released later in the week. Dow Jones was the outlier, sliding 0.3% d/d. The utilities sector outperformed the broader market, followed by communications services. The technology sector also added less than 0.1% d/d, while shares of cruise stocks jumped after upbeat results from Norwegian Cruise Line Holdings. Shares of retail giant Macy's meanwhile, advanced 3.4% d/d after announcing its latest turnaround plan.
- In Europe, Stoxx Eur 600 hovered near its all-time highs as investors held off from making big bets ahead of the US and European inflation data later in the week. Basic resources and technology stocks outperformed while media and personal care stocks lagged. Asian markets traded mixed, with CSI 300 and Hang Seng leading gains, while Nikkei 225 gave up gains from earlier in the session and closed flat.
- Treasuries closed mixed, with the long-end underperforming in a bear steepener. The 2Y yield closed just slightly lower at 4.69% while the 10Y yield rose 2bps to 4.30%. Meanwhile, 10Y European bond yields closed up between 1-4bps.
- The DXY dropped as much as 0.2% after data showed that US orders for durable goods and consumer confidence undershot expectations before erasing losses and closed flat at 103.83. G10 currencies traded mixed against greenback with the CHF, JPY, AUD and GBP appreciated against the USD. Notably, JPY strengthened 0.1% d/d to close at 150.51 after Japan's CPI topped forecasts and kept alive expectations that the BOJ might end its negative interest rates soon. Similarly, most regional currencies also depreciated against the USD save for the THB, MYR and SGD. Notably, MYR strengthened 0.3% d/d to 4.7610 after the central bank said the MYR is undervalued.
- Crude oil prices rose between 1.3-1.7% d/d amid uncertainty about the prospects for a cease-fire in the Israel-Hamas war and as some investors expect OPEC+ will extend its production cuts beyond 1Q. During the day, Maersk North America President Charles van der Steene also warned customers that they should be prepared for the Red Sea situation to last into the 2H and to build longer transit times into their supply chain planning.

US consumer confidence unexpectedly fell; weak capex spending indicators; home prices closed 2023 up 5-7%; mixed district performances

- The Conference Board's Consumer Confidence Index unexpectedly retreated to 106.7 in February (Jan: 110.9) as dips in both the current

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	38,972.41	-0.25
S&P 500	5,078.18	0.17
NASDAQ	16,035.30	0.37
Stoxx Eur 600	496.33	0.18
FTSE 100	7,683.02	-0.02
Nikkei 225	39,239.52	0.01
CSI 300	3,494.79	1.20
Hang Seng	16,790.80	0.94
Straits Times	3,157.32	-0.44
KLCI 30	1,558.80	0.72
FX		
Dollar Index	103.83	0.00
EUR/USD	1.0844	-0.06
GBP/USD	1.2685	0.00
USD/JPY	150.51	-0.13
AUD/USD	0.6544	0.06
USD/CNH	7.2139	0.04
USD/MYR	4.7610	-0.34
USD/SGD	1.3441	-0.02
Commodities		
WTI (\$/bbl)	78.87	1.66
Brent (\$/bbl)	83.65	1.36
Gold (\$/oz)	2,034.00	0.27
Copper (\$\$/MT)	8,474.00	0.09
Aluminum(\$/MT)	2,191.50	0.53
CPO (RM/tonne)	3,985.00	0.72

Source: Bloomberg, HLBB Global Markets Research

* Dated as of 26 Feb for CPO

conditions (147.2 vs 154.9) and expectations indices (79.8 vs 81.5) ended 3 consecutive months of rising optimism. The decline for the latter was driven by renewed pessimism regarding future business and labor market conditions. Consumers were also a bit less optimistic about their family financial situation over the next six months and consumers' perceived likelihood of a US recession over the next 12 months picked back up after falling over the previous three months.

- Business equipment orders barely rose in January, suggesting that firms are cautious over their investment amidst uncertain outlook and points to a weak capex performance in 1Q. Core capital goods, which strips off aircraft and defence hardware, matched expectations and increased a mere 0.1% m/m (Dec: -0.6% m/m), while bookings for all durable sank 6.1% m/m, the most since April 2022 as orders for commercial aircraft plunged following the Boeing 737 safety concerns. Even after excluding the lumpy transportation, orders fell 0.3% m/m (Dec: -0.1% m/m), both data undershooting market expectations. Moving forward, most CEOs are also not planning to revise capital spending plans going forward, according to the Conference Board's CEO Confidence index released recently. Only 28% of CEOs expect their capital budgets to increase over the next year, a slight uptick from 27% last quarter.
- House prices increased and held steady over the course of 2023 although the housing market showed signs of softening in 4Q as the pace of house price appreciation slowed. The FHFA House Prices index unexpectedly decelerated to +0.1% m/m in December (Nov: +0.4% m/m), but rose 6.5% on a y/y basis (Nov: +6.7% y/y), while the S&P CoreLogic Case-Shiller House Price Index fell 0.4% m/m but accelerated to 5.5% on a y/y basis (Nov: -0.3% m/m and +5.0% y/y).
- Mixed string of regional indices for February. Manufacturing activity (-5 vs -15) was essentially flat in the Richmond district while service sector activity (-7 vs -3) slowed. For the former, the shipments remained solidly negative at -15, but new orders and employment sub-indices increased to -5 and +7 respectively (-16 and -15). Driving the downtick for the latter was the revenues index decreasing notably from 4 to -16. However, the indexes for future revenues and demand both increased and remained firmly in positive territory. The Dallas Fed Services Activity index, meanwhile, remained negative but rose 5 points to -3.9 and more importantly, expectations regarding future business activity continued to reflect optimism during the month (+12.0 vs +4.6).

Hong Kong's exports jumped due to low base effects; exports of electronics and electrical goods soared

- Exports jumped more than expected by 33.6% y/y in February (Jan: +11.0% y/y), partially underpinned by low base effects due to the timing of the Lunar New Year and was led by double digit growths for electrical machinery, apparatus & appliances, & electrical parts as well as telecommunications and sound recording & reproducing apparatus and equipment. Exports to the Mainland soared during the month, those to the US rose notably, while those to the EU fell. In the near term, Hong Kong's exports could potentially be weighed down by the slow global economic growth, especially from China and geopolitical factors.

House View and Forecasts

FX	This Week	1Q-24	2Q-24	3Q-24	4Q-24
DXY	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
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%
29-Feb	JN Retail Sales MoM (Jan)	-2.90%
	JN Industrial Production MoM (Jan P)	1.40%
	UK Lloyds Business Barometer (Feb)	44
	AU Retail Sales MoM (Jan)	-2.70%
	AU Private Capital Expenditure (4Q)	0.60%
	AU Private Sector Credit MoM (Jan)	0.40%
	JN Housing Starts YoY (Jan)	-4.00%
	UK Net Consumer Credit (Jan)	1.2b
	UK Mortgage Approvals (Jan)	50.5k
	AU CoreLogic House Px MoM (Feb)	0.40%
	US Personal Income (Jan)	0.30%
	US Personal Spending (Jan)	0.70%
	US PCE Core Deflator YoY (Jan)	2.90%
	US Initial Jobless Claims	201k
	US MNI Chicago PMI (Feb)	46
	US Pending Home Sales MoM (Jan)	8.30%

Source: Bloomberg

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