

28 May 2024

Global Markets Research

Daily Market Highlights

28 May: Muted global markets with US and UK closed for holiday

Dovish comments from ECB officials supported EUR and sent bond yields lower

Rebound in China's industrial profits, in line with positive IPI and exports numbers

Applications for the BUDI MADANI diesel subsidy targeting will begin today for Malaysia

- The US markets were closed for Memorial Day, and the UK, for the Spring bank holiday.
- Elsewhere in Europe, Stoxx Eur 600 was up by 0.3% d/d with most sectors finishing in the green, while 10Y European bond yields fell 3-7bps following dovish comments from ECB officials. Francois Villeroy de Galhau said that ECB shouldn't exclude a second rate cut in July, while Olli Rehn commented that inflation is converging to ECB's 2% target in a sustained way and thus, time is ripe to start cutting rates in June. His comments were echoed by ECB's Chief Economist Philip Lane, but the latter added that ECB will need to be restrictive all year long.
- Meanwhile, Asian markets kicked off Monday mostly in the green as industrial profits in China rose during the first four months of the year. The CSI 300 and Hang Seng gained in tune to 1.0-1.2% d/d and are poised for further gains today, but Asian stocks are set for muted open ahead of a slew of global CPI prints this week.
- In the forex market, the Dollar fell 0.1% d/d to 104.60 in thin trade, and the Dollar weakened against all its G10 peers and most major regional currencies. Leading gains against the Dollar were NOK, SEK and NZD (+0.5-0.8% d/d), while AUD benefitted from the solid industrial profit from China. Closer to home, CNH, MYR and SGD appreciated 0.04-0.3% d/d each to 7.2589, 4.6965 and 1.3494 respectively.
- Brent gained 1.2% d/d, on expectations that OPEC+ will extend the output cuts this week, further supported by heightened geopolitical tension in the Middle East after an Egyptian soldier was killed in a clash with Israeli forces at the Rafah border crossing.

Japan's PPI-Services unexpectedly accelerated for the second month

- Producer price services (PPI) unexpectedly accelerated to +2.8% y/y in April (Mar: +2.4% y/y), marking the second month of acceleration for prices. Price gains were broad-based, mainly contributed to other services like civil engineering & architectural services, machinery repair & maintenance and hotels, and to a lesser extent, due to transportation & postal services as well as information & communication.
- The latest uptick is largely in line with a relatively hawkish BOJ speak, with Deputy Governor Shinichi Uchida recently commenting that the end of the battle with deflations is in sight, while Governor Kazuo Ueda said that the central bank will move cautiously to anchor inflation expectations at 2%, suggesting that the central bank will tighten again this year.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	39,069.59	0.01
S&P 500	5,304.72	0.70
NASDAQ	16,920.79	1.10
Stoxx Eur 600	522.21	0.32
FTSE 100	8,317.59	-0.26
Nikkei 225	38,900.02	0.66
CSI 300	3,635.71	0.95
Hang Seng	18,827.35	1.17
Straits Times	3,318.45	0.06
KLCI 30	1,618.27	-0.07
FX		
Dollar Index	104.60	-0.12
EUR/USD	1.0859	0.11
GBP/USD	1.2769	0.25
USD/JPY	156.88	-0.07
AUD/USD	0.6654	0.39
USD/CNH	7.2589	-0.04
USD/MYR	4.6965	-0.32
USD/SGD	1.3494	-0.04
Commodities		
WTI (\$/bbl)	77.72	1.11
Brent (\$/bbl)	83.10	1.19
Gold (\$/oz)	2,334.50	-0.12
Copper (\$\$/MT)	10,324.00	-0.90
Aluminum(\$/MT)	2,662.00	1.54
CPO (RM/tonne)	3,870.00	-0.82

Source: Bloomberg, HLBB Global Markets Research
 * Dated as of 24 May for CPO, DJIA, S&P 500, Nasdaq, FTSE 100, WTI, gold

China's industrial profits rebounded in April, in line with positive output and export numbers

- The rebound in China's industrial profits for April after March's decline (+4.0% y/y vs -3.5% y/y) is another sign that the manufacturing is gaining traction, although likely supported by exports and government-back initiatives rather than broad-based recovery in the private sector. YTD, profits gained 4.3% y/y, with profits in the manufacturing gaining 8.0% y/y driven by double-digit growths for food, textile, non-ferrous metal smelting, motor vehicles and telecommunication sub-sectors.
- As it is, China policy makers have largely relied on industrial producers to support the economy at this juncture amidst weak domestic demand, but growths going forward could face challenges from the escalating trade frictions between China and US as well as Europe, which recently saw the Biden administration slapping more tariffs on China goods recently.

Hong Kong registered double-digit growth for exports

- Exports grew notably and by more than expected by +11.9% y/y in April (Mar: +4.7% y/y), driven by the jump in exports to the US and China. Exports to the EU fell, while those to other major Asian markets showed mixed performance. By product, exports of electrical machinery, apparatus & appliances as well as office machines and automatic data processing machines registered double digit growths. Looking ahead, Hong Kong's exports should improve further if external demand holds up, though geopolitical tensions and a longer period of tight financial conditions will bring uncertainties.

Malaysia announced the Budi Madani diesel subsidy programme

- The Finance Ministry announced that applications for the BUDI Individu and BUDI Agri-Komiditi will begin today (28 May) and is open through the year. For the BUDI Individu, MOF said that the programme is open to all Malaysian citizens with private diesel vehicles registered with the JPJ with active road tax, excluding luxury vehicles under 10 years of age and with individual/joint income of RM100k and below. To be eligible for the BUDI Agri-Komiditi, applicants must be a registered farmer or a smallholder with the Ministry of Agriculture & Food Security or Ministry of Plantation & Commodities, and must be active, defined as generating an annual turnover of between RM50k to RM300k.
- This diesel subsidy targeting is expected to save the government RM4.0bn or 0.2% of GDP, and is expected to have minimal impact on overall CPI given its meagre 0.2% weightage in the CPI basket. Key will be the rollout of RON95 subsidy targeting which we believe will take place towards year end, likely driving CPI above the 5.0% level during the month of implementation.

House View and Forecasts

FX	This Week	2Q-24	3Q-24	4Q-24	1Q-25
DX	103-107	105.43	105.56	103.45	101.38
EUR/USD	1.06-1.10	1.06	1.05	1.06	1.06
GBP/USD	1.25-1.29	1.24	1.22	1.23	1.24
USD/JPY	154-160	152	149	146	143
AUD/USD	0.64-0.69	0.65	0.65	0.65	0.66
USD/MYR	4.67-4.74	4.73	4.68	4.64	4.57
USD/SGD	1.33-1.37	1.35	1.35	1.34	1.33

Rates, %	Current	2Q-24	3Q-24	4Q-24	1Q-25
Fed	5.25-5.50	5.25-5.50	5.25-5.50	5.00-5.25	4.50-4.75

ECB	4.50	4.25	3.75	3.50	3.50
BOE	5.25	5.25	4.75	4.50	4.50
BOJ	0 - 0.10	0 - 0.10	0 - 0.10	0 - 0.10	0 - 0.10
RBA	4.35	4.35	4.35	4.10	4.10
BNM	3.00	3.00	3.00	3.00	3.00

Source: HLBB Global Markets Research

Up Next

Date	Events	Prior
28-Apr	AU Retail Sales MoM (Apr)	-0.40%
	EC ECB 1 Year CPI Expectations (Apr)	3.00%
	UK CBI Retailing Reported Sales (May)	-44
	US House Price Purchase Index QoQ (1Q)	1.50%
	US FHFA House Price Index MoM (Mar)	1.20%
	US S&P CoreLogic CS US HPI YoY NSA (Mar)	6.38%
	US Conf. Board Consumer Confidence (May)	97
	US Dallas Fed Manf. Activity (May)	-14.5
29-May	AU Westpac Leading Index MoM (Apr)	-0.05%
	AU CPI YoY (Apr)	3.50%
	JN Consumer Confidence Index (May)	38.3
	US MBA Mortgage Applications	1.90%
	US Richmond Fed Manufact. Index (May)	-7
	US Richmond Fed Business Conditions (May)	-6
	US Dallas Fed Services Activity (May)	-10.6

Source: Bloomberg

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