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Global Markets Research

Daily Market Highlights

29 Jan: Softer core-PCE prices set stage for Fed pivot

Robust US personal spending; pending home sales posted strongest gain in 3 years

China tightened lending rule to support the stock market; industrial profits fell in 2023

MAS kept monetary policy unchanged; cut its headline CPI forecast for 2024 on COE

- The US equities markets faltered on Friday, with the three major indices closing mixed (-0.4% to +0.2% d/d) and the S&P 500 snapping its 5-day fresh highs. Weighing on stocks were the tech sector after chipmaker Intel tumbled nearly 12% after giving a disappointing sales outlook for the current quarter. Offsetting the decline in tech stocks were American Express, which rallied more than 7% d/d after sharing a better-than-expected forecast for 2024 as well as Colgate-Palmolive which gained 2% d/d after delivering a better-than-expected 4Q earnings.
- In Europe, Stoxx Eur 600 hit its 2-year high, as LVMH above-forecast sales for 2023 boosted luxury names in the region. Shares of the luxury goods maker jumped 13% d/d. Major Asian markets mostly declined as EV stocks extended their sell-offs. Shares of some Chinese biotech stocks also slipped after US politicians proposed a law that could restrict their access to the American markets.
- Treasuries cheapened further after a hotter than expected US personal spending data further took out March rate cut bets, overshadowing the bigger than expected pullback in core PCE print. The 2Y yield rose 6bps to close at 4.35% and the 10Y rose 2bps to 4.14%. 10Y European bond yields closed mixed between -2 to +5bps.
- DXY fell to as low as 103.15 following the PCE inflation reading but narrowed its losses to close at 103.43 (-0.1% d/d), mixed against its G10 peers as well as regional currencies. EUR recovered from its 6-week low and appreciated by 0.1% d/d one day after ECB stood pat at its policy meeting, while GBP closed just below the flatline as BOE is set to announce its decision on the bank rate this week. Elsewhere, JPY depreciated by 0.3% d/d after Friday data showed that Tokyo inflation slowed below the central bank's 2% target, casting doubt on BOJ's willingness to end its negative interest rates.
- In the crude oil market, the West Texas Intermediate jumped 0.8% d/d to \$78.01/barrel, a 2-month high after a fuel tanker operating for Trafigura was struck by a missile. Brent rose at an even bigger rate of 1.4% d/d to \$83.55/barrel.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	38,109.43	0.16
S&P 500	4,890.97	-0.07
NASDAQ	15,455.36	-0.36
Stoxx Eur 600	483.84	1.11
FTSE 100	7,635.09	1.40
Nikkei 225	35,751.07	-1.34
CSI 300	3,333.82	-0.27
Hang Seng	15,952.23	-1.60
Straits Times	3,159.53	0.38
KLCI 30	1,506.28	0.14
FX		
Dollar Index	103.43	-0.14
EUR/USD	1.0853	0.06
GBP/USD	1.2703	-0.04
USD/JPY	148.15	0.33
AUD/USD	0.6575	-0.15
USD/CNH	7.1885	0.12
USD/MYR	4.7300	-0.03
USD/SGD	1.3411	0.07
Commodities		
WTI (\$/bbl)	78.01	0.84
Brent (\$/bbl)	83.55	1.36
Gold (\$/oz)	2,017.30	-0.02
Copper (\$\$/MT)	8,545.50	-0.27
Aluminum(\$/MT)	2,274.50	1.61
CPO (RM/tonne)	3,975.00	0.40

Source: Bloomberg, HLBB Global Markets Research

* Dated as of 24 Jan for CPO

MAS maintained status quo for monetary policy; Manufacturing output fell on biomedical

- As widely expected, MAS maintained the prevailing rate of appreciation of the S\$NEER policy band. There will be also be no change to its width and the level at which it is centred. Highlights from the accompanying statement includes: 1) GDP growth projected to come in between 1–3% in 2024 (2023: +1.2%), with the manufacturing and financial sectors supported by the turnaround in the electronics cycle and anticipated easing in global interest

rates. 2) Core Inflation is projected to slow to an average of 2.5–3.5% for 2024, unchanged from its previous forecast. 3) Amid the declines in COE premiums and the larger COE supply this year, headline inflation is revised downwards to 2.5–3.5% for 2024 (Previous forecast: 3–4%). Excluding the effects of the increase in the GST rate, headline inflation is forecast at 1.5–2.5%.

- Manufacturing output unexpectedly worsened to -2.5% y/y in December (Nov: 0) due to a double-digit contraction in the biomedical category. Stripping this, output would have expanded, albeit at a slower pace of +0.5% y/y (Nov: +1.1% y/y) weighed down by a contraction in general manufacturing while growth in transport engineering also slowed sharply. Exports of electronics, on the other hand, accelerated to +6.3% y/y (Nov: +5.1% y/y) supported by improved demand in selected end markets such as smartphones.

Softer core-PCE prices in the US, robust consumer spending

- PCE-prices data on Friday adds evidence that prices, while still above target, are making progress towards the 2% target and will set the stage for the Fed to pivot going forward. Headline PCE matched expectations to increase by +0.2% m/m and +2.6% y/y (Nov: -0.1% m/m and +2.6% y/y). More importantly, core also matched expectations to accelerate to +0.2% m/m (Nov: +0.1% m/m) but base effects suggest that annual prices moderated to +2.9% y/y (Nov: +3.2% y/y), its lowest since early 2021. Services prices, closely monitored by the Fed, also held steady at +0.3% m/m. Accompanying data showed that personal spending remained strong at +0.7% m/m (Nov: +0.4% m/m), despite income growth easing to +0.3% m/m (Nov: +0.4% m/m) as Americans dipped into their savings. Spending was broad based, led by the financial services and recreation services, as well as motor vehicles.
- Supported by falling home prices and stable home prices, pending home sales, a forward-looking indicator of home sales, jumped more than expected and posted its strongest gain in 3 years by +8.3% m/m in December (Nov: -0.3% m/m). At 77.3 however, a reading under 100 for the index indicates a still weak pace. Moving forward, job additions and income growth is expected to further help with housing affordability and with this, the NAR is projecting existing home sales to increase by 13.0% y/y and +15.8% y/y respectively for 2024 and 2025. In tandem with this, the annual median home price is expected to increase by +1.4% to \$395.1k in 2024 and +2.6% to \$405.2k in 2025.
- Services activity index in the Kansas City was essentially flat in January, with the regional index improving to -2 (Dec: -7). Firms' sales stayed steady, but employment levels fell moderately with only slight increases anticipated in the coming months.

China tightened lending rule to support the stock market; industrial profits fell in 2023,

- China will stop the lending of certain shares of short selling wef today in a move to support to support the slumping stock market. According to the China Securities Regulatory Commission (CSRC), strategic investors won't be allowed to lend shares during the agreed lock-up period. Wef March 18, securities finance firms that borrow shares from institutional investors will also have to wait for one day before providing them to brokerages instead of the stock being immediately available.

- Industrial profits rose for the fifth month by +16.8% y/y in December (Nov: +29.5% y/y) but profits for the whole of 2023 were down 2.3% y/y. As it is, the economy continues to battle with falling prices and weak demand, both domestically and from the external sector, and authorities are expected to introduce more measures to expand its domestic demand, build up market confidence, enhance the vitality of businesses and expedite the establishment of a modern industrial system. Among the 41 industrial categories, 27 recorded growths in profits for 2024, led by power supply. The contraction in the manufacturing sector also narrowed throughout the year.

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	1.08-1.10	1.10	1.11	1.11	1.10
GBP/USD	1.26-1.28	1.28	1.29	1.29	1.27
USD/JPY	146-149	142	140	137	134
AUD/USD	0.64-0.68	0.68	0.68	0.69	0.70
USD/MYR	4.67-4.75	4.69	4.66	4.62	4.56
USD/SGD	1.32-1.35	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
29-Jan	US Dallas Fed Manf. Activity (Jan)	-9.3
30-Jan	JN Jobless Rate (Dec)	2.50%
	AU Retail Sales MoM (Dec)	2.00%
	UK Net Consumer Credit (Dec)	2.0b
	EC Economic Confidence (Jan)	96.4
	EC GDP SA QoQ (4Q A)	-0.10%
	US FHFA House Price Index MoM (Nov)	0.30%
	US S&P CoreLogic CS US HPI YoY NSA (Nov)	4.77%
	US Conf. Board Consumer Confidence (Jan)	110.7
	US JOLTS Job Openings (Dec)	8790k
	US Dallas Fed Services Activity (Jan)	-8.7

Source: Bloomberg

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