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Global Markets Research

Daily Market Highlights

29 Feb: Treasuries and DXY rose ahead of core-PCE price prints

Global equities ended in the red ahead of US core PCE data; tech-led rally fizzled out

US 4Q GDP revised lower due to inventories; offsetting stronger consumer spending

Dovish RBNZ statement prompted selloff in NZD and AUD

- The artificial intelligence hype that fuelled the recent rally took a breather, pushing all the 3 major indices lower on Wednesday. Shares of Nvidia, Alphabet and Apple all fell 0.7-1.9% d/d, dragging Nasdaq down 0.6% d/d, and Dow Jones and S&P 500 sliding 0.1-0.2% d/d respectively. The pause in the rally also came as investors largely await key data on the inflation front today, while fresh data overnight showed that the US economy expanded by a slightly slower pace than expected in 4Q despite a sturdy consumer sector.
- Similarly, European stocks also dipped as investors held off from making big bets ahead of the US inflation print. Basic resources and real estate led losses, while the auto sector outperformed. The cautious sentiment also hit regional markets. Hang Seng slipped 1.5% even after Hong Kong scrapped rules to tighten its property market at its budget announcement. Equity futures meanwhile signalled that Asian stocks are to echo the decline in US equities overnight and extend its downtrend this morning.
- Meanwhile, Treasury yields fell and the Dollar rose ahead of the Fed's preferred inflation metric. Led by the front end, Treasury yields fell across the curve between 2-6bps. The 2Y closed at 4.64% and the 10Y at 4.26%. 10Y Europeans bond yields were modestly down between 1-2bps.
- DXY firmed through to 104.24, but dipped through the afternoon and closed at 103.98 (+0.1% d/d). This comes after Fed officials emphasized incoming economic data guide to the pace of interest rate cuts. Both Fed Presidents Susan Collins and John Williams said that Fed's first rate cut will likely be appropriate later this year, while Raphael Bostic said that he's currently pencilling one cut sometime this summer. NZD plummeted 1.2% d/d and was the worst performing currency against the G10. This came after the Reserve Bank of New Zealand surprised with a more dovish statement and dragged with it, AUD (-0.7% d/d). Most regional currencies also weakened against the greenback, led by THB, IDR and PHP.
- Crude oil prices closed mixed, between -0.4% and +0.1% d/d as investors weighed expectations that OPEC+ will extend its output cut against rising US crude oil inventories. According to the Energy Information Agency, crude inventories rose by 4.2m barrels in the week ending February 23.

US 4Q GDP revised lower despite stronger consumer spending

- The US economy expanded at a slower pace than initially expected due to a downward revision to its inventories, masking stronger growths in consumer spending. 4Q GDP growth was lowered 0.1ppts to +3.2% q/q (3Q: +4.9% q/q) while consumer spending, which accounts for about 70% of US economy, expanded by a stronger pace than initially thought at +3.0% y/y (Initial: +2.8% q/q and 3Q: +3.1% q/q). Investment, government spending and exports also

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	38,949.02	-0.06
S&P 500	5,069.76	-0.17
NASDAQ	15,947.74	-0.55
Stoxx Eur 600	494.59	-0.35
FTSE 100	7,624.98	-0.76
Nikkei 225	39,208.03	-0.08
CSI 300	3,450.26	-1.27
Hang Seng	16,536.85	-1.51
Straits Times	3,138.93	-0.58
KLCI 30	1,545.59	-0.85
FX		
Dollar Index	103.98	0.14
EUR/USD	1.0838	-0.06
GBP/USD	1.2662	-0.18
USD/JPY	150.69	0.12
AUD/USD	0.6496	-0.73
USD/CNH	7.2141	0.00
USD/MYR	4.7710	0.21
USD/SGD	1.3462	0.16
Commodities		
WTI ($/bbl)	78.54	-0.42
Brent ($/bbl)	83.68	0.04
Gold ($/oz)	2,042.70	0.43
Copper ($$/MT)	8,448.50	-0.30
Aluminum($/MT)	2,190.50	-0.05
CPO (RM/tonne)	4,022.50	0.94

Source: Bloomberg, HLBB Global Markets Research
** Dated as of 27 Feb for CPO*

contributed to growth during the quarter, with the latter at a stronger pace of +6.4% q/q (3Q: +5.4% q/q). Separate data also showed than exports (+0.2% m/m vs +2.5% m/m) remained expansionary and will contribute to growth in January 2024, although this will be outpaced by stronger imports (+1.1% m/m vs +1.5% m/m), unexpectedly widened goods trade deficit to $90.2bn (Dec: -$87.9bn).

- All in, despite the downward revision to 4Q GDP, the US economy is expected to keep churning out growth in 2024, supported by a still favourable labour market. The IMF expects the US economy to expand 2.1% this year (2022: +2.5%), more than twice than most of its G10 peers.
- In the housing sector, mortgage applications fell for its fifth week and is approaching its lowest level since 1995 as rates remained elevated above 7%, further dampened by lack of existing inventory in the primary market. Applications fell 5.6% w/w for the week ended February 23 (Feb 16: -10.6% w/w) as both the Refinance and Purchase indices declined by 7.3% w/w and 4.5% w/w respectively (Feb 16: -11.4% w/w and -10.1% w/w).

Eurozone's economic confidence unexpectedly fell

- Economic Confidence unexpectedly fell to 95.4 in February (Jan: 96.1, driven by a drop in sentiment amongst services, retail trade and construction managers, while remained broadly stable in industry and increased slightly among consumers. Sentiment was also desynchronised across the various countries, with confidence deteriorating markedly in Italy and slightly in Germany and Poland, improved strongly in the Netherlands and remained broadly stable in France and Spain. Although the economy will remain sluggish in the near term on the back of tight monetary policies and elevated energy prices, improved consumer confidence and a tight labour market should help to cushion the slowdown in consumer spending and the overall economy. In fact for the latter, the Employment Expectations Indicator inched up slightly by 0.2 points to 102.5, and remained above its long-term average.

UK's business barometer fell amidst higher price expectations

- Business barometer in the UK was hit by the double whammy of lower sub-indices for both business activity next 12 months and current economic optimism against higher price expectations. Consequently, the Lloyds Business Barometer fell slightly to 42 in February (Jan: 44), but the Price Expectations Index rose 2 points m/m to 58.

Australia's inflation unexpectedly held steady at +3.4%

- Defying expectations for an acceleration in prices, inflation unexpectedly held steady at +3.4% y/y in January and remained the lowest annual inflation since November 2021. The most significant contributors to inflation were housing, food & non-alcoholic beverages, alcohol & tobacco as well as insurance & financial services. Partially offsetting this was contraction in prices for recreation & culture primarily due to holiday travel and accommodation. As it is, inflation during the month was impacted by items with volatile price changes like automotive fuel, fruit & vegetables and holiday travel, thus stripping this, CPI would have receded to +4.1% y/y for the month (Dec: +4.2% y/y). The latest CPI print and upcoming 4Q GDP will feed into the RBA's deliberations at the March 18-19 monetary policy meeting and a moderating inflation will thus, give room for RBA to maintain the cash rate steady at 4.35%.

Japan's retail sales topped estimates but IPI registered its worst contraction since 2020

- A mixed set of January indicators were released this morning, suggesting a fragile economic recovery for Japan. Retail sales beat consensus estimate to rebound by 0.8% m/m (Dec: -2.6% m/m), while IPI worsened more than expected to -7.5% m/m (Dec: +1.4% m/m). This is the biggest contraction since May 202- and bodes ill for the economy who has slipped into a technical recession and has largely relied on exports, especially for autos to drive growth recently. In fact, output of motor vehicles was one of the main contributors to the decline, on top of electrical machinery, and Information and communication electronics equipment.

Hong Kong's 4Q GDP growth accelerated to 4.3%

- Hong Kong's final 4Q GDP was left unchanged at +4.3% y/y and +0.4% q/q respectively from flash estimates (3Q: +4.1% y/y and +0.2% y/y), marking the second consecutive quarter of acceleration although growth was initially below consensus forecast. With this, the economy rebounded from -3.7% y/y in 2022 to +3.2% y/y in 2023 and is expected to grow between 2.5-3.5% y/y in 2024.
- Largely driving the stronger y/y growth in 4Q was a turnaround in exports of goods due to low base effect (+2.6% y/y vs -8.7% y/y), while exports of services remained robust with double digit expansion (+22.2% y/y vs +23.2% y/y), thanks to the revival of visitor arrivals after the resumption of normal travel with China and the rest of the world. Private consumption remained the main contributor to growth, although it moderated to 3.3% y/y (3Q: +6.2% y/y) due to tightened financial conditions, but also supported by the removal of anti-epidemic measures throughout the year, rising household income and the Government's various initiatives.

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
29-Feb	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%
1-March	US Kansas City Fed Manf. Activity (Feb)	-9
	AU Judo Bank Australia PMI Mfg (Feb F)	47.7
	JN Jobless Rate (Jan)	2.40%
	JN Jibun Bank Japan PMI Mfg (Feb F)	47.2
	MA S&P Global Malaysia PMI Mfg (Feb)	49
	VN S&P Global Vietnam PMI Mfg (Feb)	50.3
	CH Manufacturing PMI (Feb)	49.2
	CH Non-manufacturing PMI (Feb)	50.7
	CH Caixin China PMI Mfg (Feb)	50.8
	JN Consumer Confidence Index (Feb)	38
	HK Retail Sales Volume YoY (Jan)	4.80%
	EC HCOB Eurozone Manufacturing PMI (Feb F)	46.1
	UK S&P Global UK Manufacturing PMI (Feb F)	--7.1
	EC CPI Core YoY (Feb P)	3.30%
	EC Unemployment Rate (Jan)	6.40%
	US S&P Global US Manufacturing PMI (Feb F)	51.5
	US Construction Spending MoM (Jan)	0.90%
	US U. of Mich. Sentiment (Feb F)	79.6
	US ISM Manufacturing (Feb)	49.1

Source: Bloomberg

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