29 March 2024

Global Markets Research

Daily Market Highlights

29 March: Largely positive markets heading into Good Friday

US equity markets closed on a positive note; USD strengthened; USTs mostly cheapened
Upgrade to US 4Q GDP and consumer sentiments; labour data remains firm
Fed Waller said no hurry to cut rates; all eyes on US core PCE tonight

- US and European markets closed 1Q on a positive note with most major stock indices in the green reflecting optimism over interest rate cuts by the majors and economic growth. In fact, the S&P 500 rose 0.1% d/d on Thursday, capping its best 1Q performance in five years with a whopping 10.2% gain. While AI optimism drove gains during the quarter, the rally has also broadened across the rest of the sectors. The Dow Jones also added 0.1% d/d on Thursday, but Nasdaq slipped 0.1% d/d. Investors on Thursday also got more reasons to be upbeat, after the economy expanded at a stronger rate than previously thought, while consumer confidence also rose to its highest levels in almost 3 years. Amongst individual stocks, Walgreens Boots Alliance rose 3.2% d/d after beating quarterly results, while furniture retailer RH saw shares jumping after forecasting demand could pick up this year.
- Similarly, European markets also closed Thursday on a positive note, with gains driven by retail and media stocks. Markets will remain closed for Good Friday across the US and Europe, with most trading in the EU not resuming until Tuesday. In Asia, Japanese stocks fell the most among Asian markets, but Australian stocks hit a record high, boosted by mining stocks. Following Wall Street, Asian stocks are set to open higher today.
- Shorter-term Treasuries cheapened on Thursday, with yields to the 2Y and 10Y rising 5 and 1bps to 4.62% and 4.20%. The ultra-long 30Y, nonetheless, fell 1bps to 4.34%. With the exception of the Norwegian bonds, 10Y European bond yields also rose in tune to 0-7bps.
- The Dollar strengthened 0.2% d/d and held near its 6-weeks high at 104.55 after data showed a resilient US economy. SEK led losers against the greenback, followed by NOK and NZD. EUR and GBP weakened between 0.1-0.4% d/d, with the former weighed down by ECB Governing Council member Fabio Panetta's comments that inflation is easing quickly and the time to cut rates is approaching. Meanwhile, the sterling failed to find support from BOE Jonathan Haskel's comments that rate cuts should be a "long way off." AUD slipped 0.3% d/d, in line with CNH weakness, while JPY closed just below the flatline after the latest round of verbal intervention by Prime Minister Fumio Kishida, who said that officials will take appropriate actions on excessive JPY moves.
- Oil prices sealed another day of gain, gaining another 1.6-2.1% d/d on Thursday amidst signs of tightening supply. Keeping prices elevated for the past week were OPEC+'s vow to keep output cut status quo and as tensions continue to flare in the Middle East and Russia-Ukraine.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	39,807.37	0.12
S&P 500	5,254.35	0.11
NASDAQ	16,379.46	-0.12
Stoxx Eur 600	512.67	0.18
FTSE 100	7,952.62	0.26
Nikkei 225	40,168.07	-1.46
CSI 300	3,520.97	0.52
Hang Seng	16,541.42	0.91
Straits Times	3,224.01	0.00
KLCI 30	1,530.60	-0.51
FX		
Dollar Index	104.55	0.19
EUR/USD	1.0789	-0.36
GBP/USD	1.2624	-0.13
USD/JPY	151.38	0.03
AUD/USD	0.6516	-0.29
USD/CNH	7.2623	0.12
USD/MYR	4.7345	0.30
USD/SGD	1.3503	0.20
Commodities		
WTI ($/bbl)	83.17	2.24
Brent ($/bbl)	87.48	1.61
Gold ($/oz)	2,217.40	1.22
Copper ($$/MT)	8,867.00	0.20
Aluminum($/MT)	2,337.00	1.68
CPO (RM/tonne)	4,371.50	0.80

Source: Bloomberg, HLBB Global Markets Research
** Dated as of 26 March for CPO, 27 March for KLCI, USD/MYR*

A 0.2ppts upgrade to 4Q GDP, stable labour data, strong consumer confidence for the US

- The US economy grew at a faster than initially estimated pace of +3.4% q/q in 4Q (3Q: +4.9% q/q), reflecting upgrades in consumer spending, business investment as well as state and local government spending. Consumer spending expanded by +3.3% q/q, an uptick from its initial estimate of +3.0% q/q and 3Q's +3.1% q/q due to services. The upgrade to business spending reflected higher outlays on manufacturing as well as commercial and healthcare structures. The report also showed profits rising at a solid clip of +4.1% q/q (3Q: +3.4% q/q), driven by nonfinancial corporations.
- Meanwhile, separate data points to continued stability in the labour market and consumer confidence. Jobless claims fell 2k to 210k for the week ended March 23 (Mar 16: Flat), although continuing claims rose 24k to 1819k the week prior (Mar 9: -8k). The final University of Michigan Sentiment index was revised upwards by 2.9ppts to 79.4 in March (Feb: 76.9). Although sentiment is essentially unchanged throughout 1Q, it is expected to become volatile in the months ahead as the election season progresses. The better sentiment was driven by improved expectations of personal finances, improved sentiment due to strong stock performances and more importantly, confidence that inflation will continue to soften. Year-ahead and long-run inflation inched down to 2.9% and 2.8% respectively (Feb: 3.0% and 2.9%). All in, while firms have generally pulled back on making large capital expenditures, decent year-end profitability suggests businesses entered 2024 in adequate financial shape, enabling hiring and a stable labour market, and sustaining spending going forward.
- In the housing market, pending home sales grew faster than expected by +1.6% m/m in February (Jan: -4.7% m/m) but mortgage applications were muted despite slightly lower mortgage rates (30Y fixed rate at 6.93%) as homebuyers continue to hold out for lower mortgage rates and for more listings to hit the market. Applications fell 0.7% w/w for the week ended 22 March (15 Mar: -1.6% w/w) as applications for purchases and refinancing both fell for the second week. Moving forward, while ongoing job gains are clearly increasing demand along with more inventory, home prices are rising faster than income growth and thus, adds challenges especially for first-time buyers.
- District performances were negative. The Kansas City Fed Manufacturing Activity index unexpectedly worsened to -7 in March (Feb: -4) although expectations for future activity held steady while prices continued to grow at a similar rate to previous months, with a continued spread between raw materials and finished goods growth. The MNI Chicago PMI unexpectedly fell for the fourth month to its lowest since May 2023 at 41.4 (Feb: 44.0). The decline was driven by a reduction in order backlogs, new orders, production, and supplier deliveries, whilst gains in employment limited the downside. Of note, participants were asked when they are they planning to make their next (major) capital investment for growth, 38.5% of participants replied "Unsure", while 38.4% reported a mixed between 1H and 2H.

Eurozone's economic confidence rebounded, feeding recovery hopes

- Economic Confidence came a shade higher than expected at 96.3 in March (Feb: 95.5). This marks a rebound from 2 prior months of declines and in line with a mild recovery in recent economic indicators, supporting expectations that the region may soon move beyond the current weakness. The uptick was driven by improved confidence among retailers, consumers and, to a lesser extent, services and industry, while confidence remained stable in construction. Amongst the largest economies, confidence improved markedly in France, and to a lesser extent in Italy and Germany.

UK's final 4Q GDP maintained at -0.3% q/q confirming a technical recession

- UK's final 4Q GDP was maintained at -0.3% q/q (3Q: -0.1% q/q), but with the economy estimated to have expanded by +0.2% m/m in January and recent economic indicators broadly brighter, we expect UK to have ended its technical recession in 2H of 2023. Just a recap, the contraction during the quarter was led by declines in its three main sectors of services, production and output.

Sold-out Taylor Swift concerts added 0.2ppts to Australia's retail sales

- Broad disinflation trend, softer retail sales and labour market all suggest that Australia's policy rate has peaked for this cycle and there is no room for RBA to hike further. February's inflation came slightly weaker than expected and held steady at +3.4% y/y while core eased to +3.9% y/y from +4.1% y/y. The most significant contributors to inflation were housing, food & non-alcoholic beverages, alcohol & tobacco as well as insurance & financial services. Taylor Swift's performances saw hotel prices spiralling in Sydney and Melbourne, but elsewhere, accommodation and airfare prices fell due to the end of the peak travel season. Separate data also showed that consumer inflation expectations eased 0.2ppts to 4.3% in March.
- Meanwhile, retail sales slowed more than expected to +0.3% m/m in February (Jan: +1.1% m/m), with impact from the seven sold-out Taylor Swift concerts adding 0.2ppts to growth through increased spending on clothing, merchandise, accessories and dining out. Stripping this, retail turnover was up only 0.1%, and underlying trend suggests that spending has stagnated since November.
- Going forward, labour market data suggests that spending is expected to remain moderate but not fall off the cliff. The number of job vacancies fell by 6.1% q/q for the three months ended February (Nov: -0.8% q/q), the seventh quarterly drop in a row. Job vacancies are now 23.5% lower than the peak in May 2022 but remain well above the pre-COVID-19 pandemic level. The decline in job vacancies was seen across many industries, led by arts & recreation services as well as public administration & safety. There were some industries that recorded growth in job vacancies, namely rental, hiring & real estate as well as financial & insurance services.
- Private sector credit, meanwhile, held steady at +0.5% m/m in February, with lending for housing steady at +0.4% m/m, while the pickup in personal credit (+0.3% m/m vs +0.2% m/m) was offset by slower lending to businesses (+0.6% m/m vs +0.7% m/m).

China's industrial profits surged in sign of stability for the economy

- Adding to signs of a stabilising Chinese economy is industrial profits surging 10.2% y/y for the first 2 months of 2024. 29 of the 41 main industries saw profits rising, led by manufacturing and utilities, while miners slumped. Consumer goods makers logged a double-digit jump, suggesting that consumer spending and the economy as a whole, is on a firmer footing although at a slow pace. The economy will, nonetheless, continue to face headwinds from subdued confidence, property slump as well as deflationary pressures in the near term.

Mixed string of data from Japan

- A mixed string of indicators was released this morning, backing case for the BOJ to remain cautious as it plots its policy course for the year. Matching expectations, Tokyo's core inflation slowed to 2.4% y/y in March (Feb: +2.5% y/y), while February's IPI for Japan undershot expectations with a 0.1% m/m contraction (Jan: -6.7% m/m). On the consumer front, retail sales unexpectedly accelerated to +1.5% m/m (Jan: downwardly revised +0.2% m/m) despite unemployment rate unexpectedly ticking up 0.2ppts to 2.6%.

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
29-March	JN Housing Starts YoY (Feb)	-7.50%
	US Personal Income (Feb)	1.00%
	US Personal Spending (Feb)	0.20%
	US Advance Goods Trade Balance (Feb)	-$90.2b
	US PCE Core Deflator YoY (Feb)	2.80%
	US Kansas City Fed Services Activity (Mar)	12
1-April	JN Tankan Large Mfg Index (1Q)	12
	JN Jibun Bank Japan PMI Mfg (Mar F)	48.2
	MA S&P Global Malaysia PMI Mfg (Mar)	49.5
	VN S&P Global Vietnam PMI Mfg (Mar)	50.4
	CH Caixin China PMI Mfg (Mar)	50.9
	US S&P Global US Manufacturing PMI (Mar F)	52.5
	US Construction Spending MoM (Feb)	-0.20%
	US ISM Manufacturing (Mar)	47.8

Source: Bloomberg

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