

29 April 2024

Global Markets Research

Daily Market Highlights

29 April: Expect hawkish tone from the Fed after sticky PCE prices

DXY gained after PCE prices came above expectations; UST yields fell

Alphabet, Microsoft results drove Wall Street; Apple, Amazon to report results this week

JPY tumbled to its 34-year low as BOJ refrained from offering any hawkish guidance

- The three major US equity indices jumped between 0.4-2.0% d/d on Friday, with sentiment getting a boost from Magnificent Seven stocks thanks to robust results from artificial intelligence competitors Alphabet and Microsoft. The former rallied 10.2% d/d after posting a jump in quarterly profits and announced its first cash dividend, while the latter added 1.8% d/d after earnings beats and showed an acceleration in cloud growth. Investors also parsed March's PCE reading, which showed stickier than expected inflationary pressures. The busy earnings season continues this week, headlined by results from technology giants Apple and Amazon. The Federal Reserve's next rate decision is due out Wednesday.
- European stocks closed higher with almost all sectors and major bourses in positive territory as investors have responded mostly positive to the string of earnings reported throughout the week. Construction and material stocks led gains. Asian markets also closed mostly higher after the BOJ kept its benchmark policy rate at 0%-0.1%, as expected and are poised for a mostly positive open today following the futures.
- Treasury yields slipped between 0-4bps across the curve after the latest US PCE report. The yield on the 2Y fell less than 1bps to 4.99% while the 10Y dropped 4bps to 4.66%. 10Y European bond yields also fell in tune to 4-11bps, led by the Italian sovereign bonds.
- The Dollar strengthened after the sticky PCE price print, which affirmed a higher-for-longer Fed stance while JPY tumbled to its 34-year low against the greenback after the BOJ left its policy rate unchanged. DXY closed 0.3% higher at 105.94, with the greenback appreciating against all its G10 peers save for the AUD (+0.2% d/d). JPY weakened 1.7% d/d to 158.33. with losses fuelled by disappointment that BOJ Ueda did not strike a more hawkish tone and after Tokyo's inflation slowed more than expected. Asian currencies closed mixed against the Dollar, with CNH's weakness (-0.2% d/d) possibly driven by President Xi Jinping's warning to America's top diplomat that the US should not target or oppose China.
- Oil prices rose between 0.3-0.6% d/d on Friday, drawing support from concerns over tensions in the Middle East and tightening physical market, the latter after data showed that US stockpiles dropped to its lowest since January. Nonetheless, Dollar strength helped to exert downward pressure on prices.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	38,239.66	0.40
S&P 500	5,099.96	1.02
NASDAQ	15,927.90	2.03
Stoxx Eur 600	507.98	1.11
FTSE 100	8,139.83	0.75
Nikkei 225	37,934.76	0.81
CSI 300	3,584.27	1.53
Hang Seng	17,651.15	2.12
Straits Times	3,280.10	-0.23
KLCI 30	1,575.16	0.38
FX		
Dollar Index	105.94	0.32
EUR/USD	1.0693	-0.34
GBP/USD	1.2493	-0.17
USD/JPY	158.33	1.72
AUD/USD	0.6533	0.23
USD/CNH	7.2687	0.18
USD/MYR	4.7680	-0.17
USD/SGD	1.3628	0.28
Commodities		
WTI (\$/bbl)	83.85	0.34
Brent (\$/bbl)	89.50	0.55
Gold (\$/oz)	2,334.80	0.21
Copper (\$\$/MT)	9,965.50	1.02
Aluminum(\$/MT)	2,569.50	0.23
CPO (RM/tonne)	3,956.50	-2.60

Source: Bloomberg, HLBB Global Markets Research
* Dated as of 25 April for CPO

BOJ stood pat; raised its CPI projection but cut its GDP forecast for fiscal 2024

- As widely expected, the Bank of Japan (BOJ) unanimously decided to maintain the uncollateralized overnight call rate at around 0-0.10% and continue to buy

JGBs in accordance with the decisions made in the March meeting. Key highlights from the statement include: 1) The BOJ revised downward its real GDP growth projection for fiscal 2024 (-0.4ppts to +0.8%) reflecting lower private consumption, while the forecast for fiscal 2025 was left more or less unchanged (+1.0%). 2) The projected core CPI (less fresh food) was revised higher for fiscal 2024 (+0.4ppts to +2.8%), while forecast for fiscal 2025 was also left more or less unchanged (+0.1ppts to +1.9%). 3) Risks to economic activity are balanced but skewed upside for prices for fiscal 2024. 4) BOJ said that it is necessary to pay attention to its financial and foreign exchange markets. 5) In his press conference, Governor Kazuo Ueda commented that the weak yen has not had a big impact on underlying inflation and the impact of yen moves is usually temporary.

US PCE prices suggests sticky inflationary pressures due to services; expect a more hawkish tone this week during the FOMC meeting

- Fed's preferred inflation gauge, headline and core personal consumption expenditure (PCE) prices rose at a faster pace than expected by 2.7% y/y and +2.8% y/y in March (Feb: +2.5% y/y and +2.8% y/y). With both prices above street estimates and amidst a still sturdy personal income (+0.5% m/m and +0.3% m/m) and spending (+0.8% m/m for Feb & March) growth, FOMC may strike a more hawkish tone this week and reaffirmed expectations that persistent prices pressures are likely to delay any interest rate cuts this year, if any at all. From the preceding month, the headline and core PCE price indices were both stable at +0.3% m/m, with price of services accelerating to +0.4% m/m (+0.3% m/m), offsetting the moderation in goods (+0.1% m/m vs +0.5% m/m). Food prices were unchanged, while energy prices increased 1.2% m/m (Feb: +0.1% m/m and +2.3% m/m)
- The final University of Michigan Sentiment index was revised downwards by 0.7ppts to 77.2 in April (Mar: 79.4). As it is, sentiment has largely remained stable since January although there were concerns over the future trajectory of the economy due to the upcoming election. April's data saw the long-run business outlook inching up to reach its highest reading since June 2021, but views of personal finances softened. Both the year-ahead and long run inflation expectations also ticked up to +3.2% and +3.0% respectively (Feb: 2.9% and 2.8%).
- The Kansas City Fed Services Activity index (+9 vs +7) and expectations for the next six months (+2 vs +1) remained steady in April. Input price growth, nonetheless, continued to outpace increases in selling prices, putting pressure on margins.

ECB's 1Y inflation expectations eased to its lowest since 2021

- According to the ECB, short-term inflation expectations edged lower in March, supporting views for a kick-off in monetary easing starting as soon as in June. The 1Y CPI expectations eased to its lowest since December 2021 at +3.0% in March (Feb: +3.1%), but the expectations for 3Y ahead unexpectedly remained steady and came higher than forecasts at +2.5% y/y.

Australia's PPI accelerated slightly

- Producer prices (PPI) accelerated to +4.3% y/y in 1Q (4Q: +4.1% y/y) but held steady at +0.9% on a q/q basis. Gains were observed across most industries, with services PPI driven by increased operating costs and higher tuition fees, and construction prices due to skilled labour and material shortage. Echoing CPI prints recently, the latest print further boosts higher for longer rate stance

for the RBA.

China's profits slumped 3.5% y/y in March, +4.3% y/y YTD

- Weighed down by still weak growth numbers, China recorded a sharp slowdown in industrial profits for the month of March. Profits fell 3.5% y/y, a sharp deceleration from +10.2% y/y in Jan-Feb and bringing YTD profit growth at a moderate pace of +4.3% y/y. This is despite a low base effect in 1Q of 2023, where profits tumbled 21.4% y/y. The slowdown was observed across the board, with profits down 18.5% y/y for mining, while profits in the manufacturing and energy sectors slowed to +7.9% y/y and +47.5% y/y respectively (Jan-Feb: +17.4% y/y and +63.1% y/y).

Singapore's manufacturing output fell more than expected

- Manufacturing output fell 9.2% y/y in March (Feb: +4.4% y/y), reversing from the previous two months' gains and performing worse than analysts expected. Among the six clusters, the chemicals and precision engineering industries expanded, but these expansions were not enough to offset the declines in the other four clusters. Notably, the biomedical industry's output shrank the most with a 34.3% y/y drop, led by the pharmaceuticals segment. According to EDB, the drop in the latter was due to a different mix of active ingredients being produced, but despite excluding the volatile biomedical industry, production also slipped 5.9% y/y (Feb: +2.0% y/y). Electronics output also declined 11.3% on a y/y basis due to computer peripherals & data storage and semiconductors.

House View and Forecasts

FX	This Week	2Q-24	3Q-24	4Q-24	1Q-25
DXY	104-107	103.44	102.41	101.38	100.37
EUR/USD	1.06-1.09	1.09	1.10	1.08	1.07
GBP/USD	1.24-1.27	1.27	1.28	1.27	1.25
USD/JPY	152-157	148	145	142	140
AUD/USD	0.64-0.67	0.66	0.67	0.67	0.68
USD/MYR	4.74-4.80	4.68	4.63	4.56	4.49
USD/SGD	1.34-1.37	1.34	1.32	1.31	1.30

Rates, %	Current	2Q-24	3Q-24	4Q-24	1Q-25
Fed	5.25-5.50	5.25-5.50	4.75-5.00	4.50-4.75	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
29-Apr	EC Economic Confidence (Apr)	96.3
	US Dallas Fed Manf. Activity (Apr)	-14.4
29-30 Apr	SI Unemployment rate SA (Mar)	2.00%
30-Apr	UK Lloyds Business Barometer (Apr)	42
	JN Jobless Rate (Mar)	2.60%
	JN Retail Sales MoM (Mar)	1.50%
	JN Industrial Production MoM (Mar P)	-0.60%
	AU Private Sector Credit MoM (Mar)	0.50%
	CH Manufacturing PMI (Apr)	50.8
	CH Non-manufacturing PMI (Apr)	53

AU Retail Sales MoM (Mar)	0.30%
CH Caixin China PMI Mfg (Apr)	51.1
UK Mortgage Approvals (Mar)	60.4k
EC CPI Core YoY (Apr P)	2.90%
EC GDP SA QoQ (1Q A)	0.00%
US Employment Cost Index (1Q)	0.90%
US FHFA House Price Index MoM (Feb)	-0.10%
US S&P CoreLogic CS US HPI YoY NSA (Feb)	6.03%
US Conf. Board Consumer Confidence (Apr)	104.7

Source: Bloomberg

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