

29 May 2024

Global Markets Research

Daily Market Highlights

29 May: Markets await inflation prints across the globe this week

Nasdaq crossed 17k; UST yields, DXY rose amidst stronger-than-expected consumer confidence
Mixed retail sales data for UK and Australia; Lower CPI expectations reaffirmed ECB rate cut bets
Malaysia allocated RM25bn for National Semiconductor Strategy

- Nasdaq advanced another 0.6% d/d and crossed the 17k threshold for the first time ever, as Nvidia's 7.0% d/d rally lifted the technology-heavy index as well as other chip producers in an otherwise lackluster trading day. News that Elon Musk's xAI had raised \$6bn in private financing also lifted sentiment for the tech sector. The S&P 500, meanwhile, closed just above the flatline but Dow Jones Industrial Average pulled back 0.6% d/d.
- Elsewhere, European markets closed lower as investors awaited inflation prints from both sides of the Atlantic. Most sectors and major bourses closed in negative territory, with travel and leisure stocks amongst the notable losers. Asian markets closed mixed, with CSI 300 benefitting from a temporary boost in property stocks after Shanghai eased its housing curbs but are expected to retreat today after Treasuries fell.
- Treasury yields rose across the curve after US consumer confidence came in stronger than expected. The 2Y yield rose 3bps to 4.98%, while the 10Y was up 9bps to 4.55%. 10Y European bond yields also increased between 0-7bps with the exception of the Norwegian bonds.
- Tracking the higher Treasury yields, the DXY recovered from its intraday low of 104.34 and closed just above the flatline at 104.61. Most of its G10 peers weakened against the Dollar save the SEK and CHF. Driving the recovery in Dollar during the day was the increase in consumer confidence as well as a relatively hawkish Fed speak from Neel Kashkari, who said that he wants to see 'many more months' of progress in disinflation before a rate cut, adding that he would not rule out further rate hikes if price pressures tick up again. Regional currencies closed mixed against the Dollar, with MYR and SGD appreciating 0.1% d/d each to 4.6900 and 1.3487 respectively.
- Crude oil prices jumped 1.4-2.7% d/d as the geopolitical tension flared in the Middle East after a vessel attack in the Red Sea and after Israeli tanks reached the centre of Rafah.

US confidence rebounded but consumers remain anxious about the future; steady home price appreciation

- After three straight months of decline, the Conference Board Consumer Confidence index unexpectedly improved to 102.0 in May (Apr: 97.5). Both the Present Situation (143.1 vs 140.6) and Expectations indices (74.6 vs 68.8) improved, but with the latter still below 80 this suggests a possible resurgence in recession concerns. In terms of buying intentions, plans to buy homes outlook were unchanged at its lowest level since August 2012, and while still relatively depressed, purchasing plans for autos and big-ticket appliances rose slightly for the second and first time respectively, all suggesting that consumer spending will hold the fort especially in view of the

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	38,852.86	-0.55
S&P 500	5,306.04	0.02
NASDAQ	17,019.88	0.59
Stoxx Eur 600	519.08	-0.60
FTSE 100	8,254.18	-0.76
Nikkei 225	38,855.37	-0.11
CSI 300	3,609.17	-0.73
Hang Seng	18,821.16	-0.03
Straits Times	3,330.09	0.35
KLCI 30	1,615.82	-0.15
FX		
Dollar Index	104.61	0.02
EUR/USD	1.0857	-0.02
GBP/USD	1.2762	-0.05
USD/JPY	157.17	0.18
AUD/USD	0.6650	-0.06
USD/CNH	7.2636	0.06
USD/MYR	4.6900	-0.14
USD/SGD	1.3487	-0.05
Commodities		
WTI (\$/bbl)	79.83	2.71
Brent (\$/bbl)	84.22	1.35
Gold (\$/oz)	2,356.50	0.94
Copper (\$\$/MT)	10,501.50	1.72
Aluminum(\$/MT)	2,729.50	2.54
CPO (RM/tonne)	3,880.00	-0.72

Source: Bloomberg, HLBB Global Markets Research

* Dated as of 27 May for CPO

still resilient labour market.

- Although below expectations, home prices continued to grow at a steady pace in 1Q, supported by low inventory of homes for sale, pent up demand and despite mortgage rates that hovered around 7%. The FHFA House Price index gained 6.6% y/y in March (4Q: +6.55%) but slowed on a m/m basis to +0.1% (Feb: +1.2%). The S&P CoreLogic Case-Shiller Index hit a new record during the month, gaining 6.5% y/y and +0.3% m/m respectively (Feb: +6.5% y/y and +0.5% m/m).
- The Dallas Fed Manufacturing index, meanwhile, unexpectedly worsened to -19.4 in May (Apr: -14.5) as most measures suggested weaker activity, while expectations regarding future activity were mixed but slightly less positive. Labor market measures suggested modest employment declines and slightly shorter workweeks, while upward pressure on prices and wages continued.

Lower inflationary expectations raised ECB rate cut expectations

- Matching expectations, the ECB 1Y inflation expectations declined to 2.9% in April (Mar: 3.0%), its lowest since September 2021, while expectations for inflation 3 years ahead edged down to 2.4% from 2.5% previously. As both remained below the perceived past inflation rate, we expect ECB start lowering its policy rates on June 6th.

UK's CBI retailing sales rebounded strongly

- CBI Retailing reported sales improved more than expected to +8 in May (Apr: -44), its best reading since December 2022. This suggests that UK retail sales could be rebounding strongly in May after April's dismal reading, supported by lower selling price inflation, a welcome relief to consumers.

Australia's retail sales undershot expectation as consumers reduced discretionary spending

- Retail sales rose a mere 0.1% m/m in April (Mar: -0.4% m/m), suggesting that underlying consumer spending continues to be weak as cautious consumers continue to reduce their discretionary spending or switch to cheaper alternatives. The relatively earlier Easter and the different timing of school holidays also added some volatility in turnover, as seen by the fall in food retailing, especially for alcohol due to the earlier-than-usual Easter spending boost. Turnover in most non-food related goods nonetheless rose, led by other retailing, household goods and department stores, while food-related spending was mixed.

Malaysia allocated RM25bn for National Semiconductor Strategy

- The government is allocating at least RM25bn to support the newly launched National Semiconductor Strategy (NSS). According to Prime Minister Datuk Seri Anwar, MITI will be leading several agencies and other ministries in a quest to attract at least RM500bn of investments for the 1st phase, with focus of the domestic direct investment on integrated circuit design, advanced packaging and manufacturing equipment, while that of foreign direct investment will be on wafer fabrication and manufacturing equipment. To nurture talents for the semiconductor industry, the government will also train and upskill up to 60k high-skilled Malaysian engineers.

House View and Forecasts

FX	This Week	2Q-24	3Q-24	4Q-24	1Q-25
DXY	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
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
30-May	US Dallas Fed Services Activity (May)	-10.6
	US Federal Reserve Releases Beige Book	
	AU Private Capital Expenditure (1Q)	0.80%
	AU Building Approvals MoM (Apr)	1.90%
	EC Economic Confidence (May)	95.6
	EC Unemployment Rate (Apr)	6.50%
	US GDP Annualized QoQ (1Q S)	1.60%
	US Initial Jobless Claims	215k
	US Advance Goods Trade Balance (Apr)	-\$91.8b
	US Pending Home Sales MoM (Apr)	3.40%
30 May-6 June	UK Nationwide House Px NSA YoY (May)	0.60%

Source: Bloomberg

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