

30 January 2024

Global Markets Research

Daily Market Highlights

30 Jan: Markets largely await FOMC decision

US equity markets and DXY gained; UST yields fell

Evergrande liquidation eclipsed China's stimulus; CSI 300 closed down; CNH flattish

Dallas Fed Manufacturing worsened further; big-tech earnings on deck this week

- The US equity markets started the week on a positive note, with the 3 major indices closing up between 0.6-1.1% d/d as Wall Street looked towards several mega-cap tech earnings reports and the Federal Reserve's rate policy decision this week. As it is, the Fed is set to meet on Tuesday and Wednesday, while Microsoft, Apple, Meta, Amazon and Alphabet will be posting their results throughout the week. Capping this is the jobs report due on Friday. In stock movements, consumer discretionary led gains in the broad index, while shares of iRobot tumbled nearly 9% following news that Amazon would no longer pursue a deal to acquire the company.
- Elsewhere, European and Asian equity markets closed mixed, but shares of oil majors such as Shell and BP rose on escalating tension in the Middle East for the former while focus was on Evergrande liquidation for the latter. Shares of the embattled firm halted trading and CSI 300 slid 0.9% d/d.
- Partially supporting the equity markets were the lower UST yields across the curve. The 2Y pulled back 3bps to 4.32%, while the 10Y fell 6bps to 4.07%. Dovish comments from ECB officials, meanwhile, heightened expectations for a rate cut in April, sending 10Y European bond yields down 3-9bps.
- DXY gained 0.2% d/d to close at 103.61 before the Fed's decision, as investors largely pushed back expectations of a rate cut as compared to a month ago. DXY gained some strength from EUR's weakness (-0.2% d/d), but GBP and JPY appreciated by 0.1% d/d and 0.4% d/d against USD. Closer to home, SGD held firm and appreciated 0.1% d/d to close at 1.3402, despite weakening to as low as 1.3427 in a knee jerk reaction after MAS stood pat. CNH closed flattish after Evergrande's liquidation shock, while MYR depreciated 0.1% d/d to 4.7335.
- Oil prices retreated between 1.4-1.6% d/d after last week's rally, as investors awaited US responses to the latest attacks that killed American troops in the Middle East and hit a fuel tanker in the Red Sea.

Dallas Fed Manufacturing worsened, mirroring other Fed surveys

- The Dallas Fed Manufacturing Activity index worsened more than expected to -27.4 in January (Dec: -10.4). This is the lowest since 2020 and mirrored weaknesses in other Fed surveys. Labor market measures suggested employment declined amidst shorter workweeks. Wage and input costs continued to increase but selling prices were flat. Expectations regarding future manufacturing activity, nonetheless improved.

Japan's unemployment rate fell slightly

- Data this morning showed that the Japanese labour market remains tight, keeping hopes for a Spring wage hike in place and consequently, a potential spillover to demand pull inflation. Unemployment rate unexpectedly improved

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	38,333.45	0.59
S&P 500	4,927.93	0.76
NASDAQ	15,628.04	1.12
Stoxx Eur 600	484.84	0.21
FTSE 100	7,632.74	-0.03
Nikkei 225	36,026.94	0.77
CSI 300	3,303.96	-0.90
Hang Seng	16,077.24	0.78
Straits Times	3,140.31	-0.61
KLCI 30	1,515.39	0.60
FX		
Dollar Index	103.61	0.17
EUR/USD	1.0833	-0.18
GBP/USD	1.2709	0.05
USD/JPY	147.50	-0.44
AUD/USD	0.6611	0.55
USD/CNH	7.1875	-0.01
USD/MYR	4.7335	0.07
USD/SGD	1.3402	-0.07
Commodities		
WTI (\$/bbl)	76.78	-1.58
Brent (\$/bbl)	82.40	-1.38
Gold (\$/oz)	2,025.40	0.40
Copper (\$\$/MT)	8,558.00	0.15
Aluminum(\$/MT)	2,264.50	-0.44
CPO (RM/tonne)	3,996.50	0.35

Source: Bloomberg, HLBB Global Markets Research
* Dated as of 26 Jan for CPO

to 2.4% in December (Nov: 2.5%), its lowest since January 2023 as employment in the manufacturing, lodging and food services increased. The jobs-to-applicants ratio, nonetheless, edged down to 1.27 (Nov: 1.28).

Vietnam's inflation eased y/y but picked up m/m; sturdy retail sales and IPI growth

- Vietnam inflation eased less than expected to +3.4% y/y in January (Dec: +3.6% y/y), while core also moderated to +2.7% y/y (Dec: 3.0% y/y). However, prices accelerated to +0.3% on a m/m basis (Dec: +0.1% m/m) mainly due to the adjustment in retail electricity prices, increase in export rice prices as well as still elevated medical costs. Economic indicators, meanwhile, point to a still resilient economy. Retail sales held steady with a +8.1% y/y growth (Dec: +9.3% y/y), supported by tourism spending, while IPI accelerated to +18.3% y/y (Dec: +5.8% y/y). The uptick was driven by a rebound in the mining sector while manufacturing output also accelerated.

House View and Forecasts

FX	This Week	1Q-24	2Q-24	3Q-24	4Q-24
DX	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
30-Jan	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
31-Jan	JN Retail Sales MoM (Dec)	1.00%
	JN Industrial Production MoM (Dec P)	-0.90%
	AU Private Sector Credit MoM (Dec)	0.40%
	AU CPI YoY (Dec)	4.30%
	CH Manufacturing PMI (Jan)	49
	CH Non-manufacturing PMI (Jan)	50.4
	JN Consumer Confidence Index (Jan)	37.2
	HK GDP YoY (4Q A)	4.10%
	US MBA Mortgage Applications	3.70%
	US ADP Employment Change (Jan)	164k
	US Employment Cost Index (4Q)	1.10%

Source: Bloomberg

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