

31 January 2024

Global Markets Research

Daily Market Highlights

31 Jan: IMF upgraded 2024 global economic growth

IMF: World economy to grow by 3.1% in 2024, inflation to soften to 5.8%

US consumer confidence hit 2-year high, job openings 3-month high; higher home prices

Eurozone skirted a recession with stagnant growth in 4Q; UK mortgage approvals climbed

- The US equity markets closed mixed on Tuesday, with the Dow Jones being the outlier with a 0.4% d/d gain while S&P 500 and Nasdaq fell 0.1% d/d and 0.8% d/d respectively. Corporate results largely drove some big moves in Wall Street. In the tech sector, Microsoft and Alphabet stocks came under pressure after its cloud growth and advertising revenue disappointed. Traders also waded through corporate earnings from economic barometer, General Motors and UPS, the former jumping after projecting a higher profit outlook for 2024 but UPS tumbled on a disappointing outlook. In tandem with this, the courier company plans to cut 12k jobs on weak parcel demand.
- Elsewhere, Europeans stocks ticked higher, with banking stocks leading gains while basic resources lagged as iron ore fell. The media sector was boosted by advertising giant WPP Plc, which gained after announcing AI investment plans and new targets. Asian markets closed mixed, with Hang Seng and CSI 300 continued to grapple with the fallout from Evergrande's liquidation order. As it is, Asian stocks are set to open lower today amidst the retreat in mega-cap tech stocks overnight.
- Treasury yields closed mixed, with the 2Y up 2bps to 4.33%, while the 10Y fell 4bps to 4.03%. Both initially rose after the consumer confidence and jobs opening data but eased later in the day. 10Y European bond yields, meanwhile, gained up to 7bps.
- In the forex market, DXY traded narrowly, closing 0.2% d/d lower at 103.40 and mixed against its G10 peers. Leading losses against USD was AUD, after the slump in Australia's retail sales sent bond yields lower. EUR on the other hand, appreciated 0.1% d/d after data showed that the economic bloc avoided a technical recession. DXY, meanwhile, traded weaker against regional currencies save for the HKD, JPY and PHP before the FOMC decision.
- Crude oil prices gained 0.6-1.4% d/d as traders remained on alert to the escalating conflict in the Middle East. In regards to the killing of the 3 US servicemen, President Biden said that he has decided how to respond, declined to provide further details but reiterated that he is hoping to deter a broader conflict in the Middle East. In an industry update, Saudi Aramco dropped its plans to boost its output capacity, raising demand questions.

IMF expects the global economy to hold steady at 3.1% in 2024, inflation to soften to 5.8%

- Key highlights from the latest World Economic Outlook includes: 1) Global growth is projected at 3.1% and 3.2% respectively for 2024 and 2025 (2023: 3.1%). Growth at these levels remained well below its historical average of 3.8%, weighed down by elevated central bank policy rates, a withdrawal of fiscal support amid high debt and low underlying productivity growth. 2) The

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	38,467.31	0.35
S&P 500	4,924.97	-0.06
NASDAQ	15,509.90	-0.76
Stoxx Eur 600	485.63	0.16
FTSE 100	7,666.31	0.44
Nikkei 225	36,065.86	0.11
CSI 300	3,245.04	-1.78
Hang Seng	15,703.45	-2.32
Straits Times	3,150.04	0.31
KLCI 30	1,512.75	-0.17
FX		
Dollar Index	103.40	-0.20
EUR/USD	1.0845	0.11
GBP/USD	1.2700	-0.07
USD/JPY	147.61	0.07
AUD/USD	0.6602	-0.14
USD/CNH	7.1869	-0.01
USD/MYR	4.7273	-0.13
USD/SGD	1.3393	-0.07
Commodities		
WTI (\$/bbl)	77.82	1.35
Brent (\$/bbl)	82.87	0.57
Gold (\$/oz)	2,031.50	0.30
Copper (\$\$/MT)	8,615.00	0.67
Aluminum (\$/MT)	2,274.50	0.44
CPO (RM/tonne)	3,968.50	-0.70

Source: Bloomberg, HLBB Global Markets Research

* Dated as of 29 Jan for CPO

0.2ppts upward revision in 2024 GDP was driven by greater-than-expected resilience in the US and several large emerging market and developing economies, as well as fiscal support in China. 3) The risks to global growth are broadly balanced and a soft landing is a possibility. 4) Headline inflation is expected to fall to 5.8% in 2024 and to 4.4% in 2025 (2023: +6.8%), with the 2025 forecast revised down.

US consumer confidence hit 2-year high, JOLTs job openings 3-months high, home prices continued to accelerate y/y

- Matching consensus forecasts, the Conference Board's Consumer Confidence index hit a 2-year high of 114.8 in January (Dec: 108.0), supported by surging views of current conditions (161.3 vs 147.2) and declining pessimism over the future (83.8 vs 81.9). As it is, the third straight increase in overall index likely reflected slower inflation, anticipation of lower interest rates ahead and generally favorable employment conditions.
- JOLTS job openings unexpectedly rose to a 3-month high of 9.0m in December (Nov: 8.9m), but fewer Americans quit their jobs (3.4m, its lowest in 3 years but quits rate held steady at 2.2%), suggesting that workers are growing cautious even as demand remains strong. The number of vacancies were also below its series high of 12.0m in March 2022. While education and health services accounted for the bulk of the openings, openings increased the most for professional and business services but fell for wholesale trade.
- Lower mortgage rates and tight inventory levels continued to support annual gains in home prices. Matching expectations, the FHFA House Price and S&P CoreLogic National Home Price indices accelerated to +6.6% y/y (Oct: +6.3% y/y) and +5.1% y/y (Oct: +4.7% y/y) respectively in November. Nonetheless, prices were down m/m for the first time since January 2023 for the latter, a sign that still elevated mortgage rates and home prices may be affecting affordability.
- Services activity in Dallas contracted slightly in January, with the Fed Services Activity index worsening -9.3 in January (Dec: -8.8). Labor market measures suggest continued employment growth but shorter work weeks. Input and selling price pressures eased slightly while wage growth remained unchanged. Expectations regarding future business activity continued to reflect optimism at +4.6.

Eurozone skirted a recession with stagnant growth in 4Q

- Advanced estimates showed that the Eurozone narrowly avoided a technical recession that was forecast by economists, with 4Q showing zero growth as compared to -0.1% q/q. Its biggest economy, Germany, posted a 0.3% contraction in the final quarter, but also narrowly skirted a technical recession due to an upward revision to its 3Q GDP, when the economy stagnated. The French economy was steady with zero growth for 3Q and 4Q, while Spain out beat forecasts to expand by 0.6% q/q (3Q: +0.4% q/q). As it is, the IMF is projecting the economy to recover from an estimated +0.5% in 2023 to +0.9% in 2024 and +1.7% in 2025 on stronger household consumption, as the effects of the shock to energy prices subside and inflation falls, supporting real income growth.
- The Economic Confidence index remained broadly stable at 96.2 in January (Dec: 96.3) as confidence in the industry, services, retail trade and consumer sectors were flattish but confidence in the construction dropped. Amongst the largest economies, confidence deteriorated markedly in Germany but improved in Italy, Poland, France, the Netherlands and Spain.

UK mortgage approvals climbed to its highest in 6 months

- Mortgage approvals climbed to its highest level in six months in a further sign that falling borrowing costs are bringing buyers back to the housing market and supporting evidence that the housing market may be turning a corner. Banks and building societies authorised 50.5k home loans in December (Nov: 49.3). At the same time, consumers took out an extra £1.2bn in net consumer credit (Nov: £2.1bn). Both figures were slightly below consensus forecasts.

Australia's retail sales fell more than expected

- Retail sales fell more than expected by 2.7% m/m in December (Nov: -1.6% m/m). While the large fall in retail turnover m/m was caused by a fall in discretionary spending as consumers brought forward some of their usual December spending to November to take advantage of Black Friday sales, underlying retail spending remains subdued when we look through the volatile movements over recent months leading up to Christmas. By categories, turnover fell in all the non-food industries that had been boosted by Black Friday sales, which includes household goods retailing, department stores, clothing footwear and personal accessory retailing.

Japan's economic data misses estimates this morning

- Data from Japan this morning all fell short of expectations. Retail sales unexpectedly worsened to -2.9% m/m in December (Nov: +1.1% m/m), while IPI growth rebounded less than expected to +1.8% m/m (Nov: -0.9% m/m). Broad based recovery was observed for the latter, led by general-purpose & business-oriented machinery, chemicals as well as production machinery. Moving forward, production is expected to decrease 6.2% m/m in January but increase 2.2% m/m in February.

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
31-Jan	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%

1-Feb	US ADP Employment Change (Jan)	164k
	US Employment Cost Index (4Q)	1.10%
	US FOMC Rate Decision (Upper Bound)	5.25%
	AU Judo Bank Australia PMI Mfg (Jan F)	
	JN Jibun Bank Japan PMI Mfg (Jan F)	48.0
	MA S&P Global Malaysia PMI Mfg (Jan)	47.9
	CH Caixin China PMI Mfg (Jan)	50.8
	EC HCOB Eurozone Manufacturing PMI (Jan F)	46.6
	UK S&P Global UK Manufacturing PMI (Jan F)	47.3
	EC CPI Estimate YoY (Jan)	2.90%
	EC Unemployment Rate (Dec)	6.40%
	UK Bank of England Bank Rate	5.25%
	US Challenger Job Cuts YoY (Jan)	-20.20%
	US Unit Labor Costs (4Q P)	-1.20%
	US Initial Jobless Claims	214k
	US S&P Global US Manufacturing PMI (Jan F)	45.4
	US Construction Spending MoM (Dec)	0.40%
	US ISM Manufacturing (Jan)	47.4

Source: Bloomberg

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