

31 May 2024

## Global Markets Research

### Daily Market Highlights

## 31 May: All eyes on the US PCE price prints

**Downward revision to US GDP sent UST yields, DXY lower; Softer consumer spending recorded**

**Sentiment improved in the Eurozone and UK; Capex spending boom in Australia**

**A pick-up in Tokyo's inflation rate; Stronger retail sales for Japan amidst sturdy labour market**

- A 19.7% d/d plunge in Salesforce shares, its worst in 2 decades after a weak outlook shaved more than 300 points from the Dow and sent all 3 major equity indices in the red, masking strength outside the tech sector. Despite gains in nine out of its 11 sectors, the S&P 500 lost 0.6% d/d, while the Dow and Nasdaq slid 0.9% d/d and 1.1% d/d respectively. As mentioned, there were encouraging signs beyond the tech sector, with retailer Best Buy rallying 13.4% d/d after reporting better than expected earnings and real estate stocks gaining, broadly benefitting from the retreating Treasury yields overnight.
- Elsewhere, Stoxx Eur 600 shook off its negative sentiment earlier in the week and rebounded 0.6% d/d. Most sectors traded in green, led by real estate and telecoms. Renewable energy stocks were also lifted after Brookfield announced that it is in exclusive talks to acquire a majority stake in France's Neoen SA. Meanwhile, Kospi led losses in Asia ahead of data deluge today, but is expected to climb today, following the futures.
- Treasuries rallied and yields closed lower in tune to 5-7bps across the curve amidst a slew of bearish economic data and on relatively dovish comments from Fed President John Williams, who said that he sees "ample evidence" that policy is restrictive. The 2Y yield closed at 4.93% and the 10Y at 4.55%. With the exception of the Swedish sovereign bonds, 10Y European bond yields fell in tune to 2-6bps.
- The Dollar unravelled a chunk of its prior day's gains amidst growth worries and lower UST yields following the downward revision to US' 1Q GDP. DXY slid 0.4% d/d to 104.72. CHF led G10 gains against the greenback, while regional currencies closed mixed against the Dollar. CNH and SGD appreciated by 0.2-0.3% d/d against USD, while MYR closed flat at 4.7045.
- Oil prices fell in tune to 1.7-2.1% d/d, on fears of an oversupply in the commodity market ahead of the OPEC+ meeting. This is despite data showing the biggest drop in US' stockpiles in 5 weeks.

### Softer US 1Q GDP on consumers; pending home sales tumbled to its 4Y low

- 1Q GDP grew at a slower pace than initially estimated (-0.3ppts to +1.3% q/q), primarily reflecting downward revisions to consumer spending data (-0.5ppts to +2.0% q/q), especially for goods. Growth was also markedly down from -3.4% q/q in 4Q, primarily reflecting decelerations in consumer spending, exports, and state & local government spending as well as a downturn in federal government spending.
- Goods trade deficit widened more than expected to \$99.4bn in April from - \$92.3bn previously as import growth outpaced exports at +3.1% m/m and +0.5% m/m respectively (Mar: -1.7% m/m and -2.9% m/m). Rebound was

#### Key Market Metrics

	Level	d/d (%)
<b>Equities</b>		
Dow Jones	38,111.48	-0.86
S&P 500	5,235.48	-0.60
NASDAQ	16,737.08	-1.08
Stoxx Eur 600	516.50	0.59
FTSE 100	8,231.05	0.59
Nikkei 225	38,054.13	-1.30
CSI 300	3,594.31	-0.53
Hang Seng	18,230.19	-1.34
Straits Times	3,323.38	0.01
KLCI 30	1,604.26	-0.07
<b>FX</b>		
Dollar Index	104.72	-0.39
EUR/USD	1.0832	0.29
GBP/USD	1.2732	0.24
USD/JPY	156.82	-0.52
AUD/USD	0.6633	0.35
USD/CNH	7.2537	-0.27
USD/MYR	4.7045	0.00
USD/SGD	1.3501	-0.16
<b>Commodities</b>		
WTI (\$/bbl)	77.91	-1.67
Brent (\$/bbl)	81.86	-2.08
Gold (\$/oz)	2,342.90	0.07
Copper (\$\$/MT)	10,135.00	-3.07
Aluminum(\$/MT)	2,703.50	-2.31
CPO (RM/tonne)	4,019.50	2.03

Source: Bloomberg, HLBB Global Markets Research  
\* Dated as of 29 May for CPO

observed across all exports sub-components except for industrial supplies, while imports also improved broadly, with the exception of food & beverages and consumer goods, the latter potentially signs of softer consumer spending ahead.

- Pending home sales tumbled more than expected by 7.7% m/m in April (Mar: +3.6% m/m) to its 4-year low as the impact of escalating interest rates throughout April dampened home buying, even with more inventory in the market. Fed's anticipated rate cut later this year should lead to improved affordability and better conditions, but the pace of price gains for home should decelerate with more supply.
- Jobless claims ticked up more than expected for the week ended May 25, although the level remains low at 219k (+3k vs -7k). Accompanying data also showed that continuing claims increased 4k to 1791k the week prior (May 11: +1k). Amidst some signs of pullback in hiring expectations amid weaker business demand and reluctance due to the uncertain economic environment, the unemployment rate could increase in the months ahead.

#### **Economic sentiment and unemployment rate improved in the Eurozone**

- The Economic Sentiment Indicator increased, albeit less than forecast, to 96.0 in May (Apr: 95.6). The increase reflected improved confidence in services and among consumers, but fell for retail trade and construction. Amongst its largest economies, sentiment improved markedly for France and the Netherlands, more moderately for Germany and Italy, but deteriorated markedly for Spain and Poland. In a sign that the labour market remains strong, the Employment Expectations Indicator also remained above its long-term average (-0.3ppts to 101.3), while separate data showed that the unemployment rate unexpectedly improved 0.1ppts to 6.4% in April.

#### **Jump in business sentiment in the UK**

- Lloyds Business Barometer unexpectedly increased to 50 in May after holding steady at 42 for the past 3 months. The uptick was largely driven by a significant pick-up in the current economic optimism and business activity in the next 12 months sub-indices.

#### **Mixed economic data from Japan; Tokyo's inflation rate accelerated**

- A leading indicator for national price trends, the latest pick up in Tokyo inflation rate for May (+2.2% y/y vs +1.8% y/y), suggests a similar acceleration in Japan's reading due to be released next month, and also keeping the BOJ largely on track to consider another rate hike in 2024. Largely contributing to inflation during the month was energy costs, likely due to the renewable energy surcharge.
- Meanwhile, national economic data was mixed. While industrial output worsened more than expected to -0.1% m/m in April (Mar: +4.4% m/m), retail sales overshot expectations to grow by +1.2% m/m (Mar: -1.2% m/m). Essentially supporting consumer spending was higher wages and a relatively tight labour market. Accompanying data showed that jobless rate held steady at 2.6% in April, while the number of job vacancies to job seekers edged lower (1.26 vs 1.28).

#### **Slump in Australia's housing data; signs that business investment boom could last**

- A mixed string of data from Australia. While building approvals unexpected

fell 0.3% m/m in April (Mar: +2.7% m/m) dragged down by both residential and non-residential sectors, private capital expenditure unexpectedly accelerated to +1.0% q/q in 1Q (4Q: +0.9% q/q) and was 5.5% higher on a y/y basis. Moving forward, planned capital investment data (+6.8% for 2024-25) suggest that businesses expect continued growth in capex for the remainder of this financial year and the year ahead, and was notably driven by the information media & telecommunications industry due to a large rise in expected capex investment in new data centres, as well as the electricity, gas, water & waste services industry, which will benefit from planned investment in renewable energy infrastructure.

#### 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
31-May	AU Private Sector Credit MoM (Apr)	0.30%
	CH Manufacturing PMI (May)	50.4
	CH Non-manufacturing PMI (May)	51.2
	JN Housing Starts YoY (Apr)	-12.80%
	HK Retail Sales Value YoY (Apr)	-7.00%
	UK Mortgage Approvals (Apr)	61.3k
	EC CPI Estimate YoY (May)	2.40%
	US Personal Income (Apr)	0.50%
	US Personal Spending (Apr)	0.80%
	US PCE Core Deflator YoY (Apr)	2.80%
3-June	US MNI Chicago PMI (May)	37.9
	AU Judo Bank Australia PMI Mfg (May F)	49.6
	JN Capital Spending YoY (1Q)	16.40%
	JN Jibun Bank Japan PMI Mfg (May F)	50.5
	VN S&P Global Vietnam PMI Mfg (May)	50.3
	AU Melbourne Institute Inflation YoY (May)	3.70%
	CH Caixin China PMI Mfg (May)	51.4
	EC HCOB Eurozone Manufacturing PMI (May F)	47.4
	UK S&P Global UK Manufacturing PMI (May F)	51.3
	SI Purchasing Managers Index (May)	50.5
	US S&P Global US Manufacturing PMI (May F)	50.9
	US Construction Spending MoM (Apr)	-0.20%
	US ISM Manufacturing (May)	49.2

Source: Bloomberg

#### Hong Leong Bank Berhad

Fixed Income & Economic Research, Global Markets  
Level 8, Hong Leong Tower  
6, Jalan Damanlela  
Bukit Damansara  
50490 Kuala Lumpur  
Tel: 603-2081 1221  
Fax: 603-2081 8936

[HLMarkets@hlbb.hongleong.com.my](mailto:HLMarkets@hlbb.hongleong.com.my)

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