

10 May 2024

**Global Markets Research**
**Daily Market Highlights**

## 10 May: BOE and BNM maintained policy rates

**Markets remains divided on a June or August rate cut for the BOE; GBP appreciated slightly BNM maintained a neutral tone; MYR strengthened after the decision but pared gains at close US jobless claims hit their highest since August 2023; China's exports returned to growth**

- The Dow Jones claimed a seventh winning day, rising 0.9% d/d, logging its longest winning streak for the year, while the S&P 500 and Nasdaq added 0.5% and 0.3% d/d respectively. The renewed optimism was underpinned by healthy corporate profits, and a higher-than-expected jobless claims data which supported Fed rate cut bets. Gains by Home Depot and Caterpillar led the Dow higher, offsetting Salesforce's slip. By sector, real estate stocks, utilities led the broad index higher while energy shares also gained, supported by the uptick in oil prices.
- Elsewhere, European markets also nudged higher, as positive momentum was maintained on a busy week of earnings and after BOE held rates steady as expected. In corporate news, shares of Spanish bank Sabadell rose after rival BBVA made a hostile takeover offer to its shareholders. In Asia, CSI 300 rallied 1.0% d/d after the better-than-expected China trade data, but Nikkei 225 slid 0.3% d/d after Japan's real wages dropped for the 24th straight month. Today, Asian stocks are set for an upbeat open tracking advances in the overnight US markets and futures.
- Treasuries closed with modest gains after the weaker than expected jobless claims data signalled Fed rate cut remained on the cards. Yields were down 2-3bps across the curve, with the 2Y closing at 4.82% and the 10Y at 4.45%. 10Y European bond yields, on the other hand, were broadly higher between 0-5bps.
- The DXY retreated 0.3% d/d to 105.23 amidst lower Treasury yields. All G10 currencies strengthened against the greenback, led by AUD (+0.6% d/d). EUR and GBP appreciated by 0.2-0.3% d/d against USD, while JPY closed just above the flatline at 155.48. Regional currencies also strengthened against the Dollar save for TWD and KRW. SGD and CNH were leading gainers, while MYR closed flattish at 4.7410 after BNM maintained its OPR at 3.00% and its neutral stance.
- In the commodities market, crude oil prices edged up between 0.3-0.4% d/d, bolstered by reports of US stockpiles drawdown. The Biden administration also raised the ceiling price for refilling reserves to \$79.99/barrel.

### BOE maintained bank rate at 5.25%, stresses June cut depends on coming data

- As widely expected, the Bank of England (BOE) voted by a majority of 7–2 to maintain the Bank Rate at 5.25%. Two members preferred to reduce the Bank Rate by 25bps. In its prior meeting, only one member voted to reduce rates. Key highlights include: 1) UK GDP is expected to have risen by 0.4% in 1Q and to grow by 0.2% in 2Q. 2) Inflation is moderating broadly as expected, although they remain elevated due to services, and there is upside risk to the near-term outlook from geopolitical factors. CPI is expected to

#### Key Market Metrics

	Level	d/d (%)
<b>Equities</b>		
Dow Jones	39,387.76	0.85
S&P 500	5,214.08	0.51
NASDAQ	16,346.26	0.27
Stoxx Eur 600	516.77	0.19
FTSE 100	8,381.35	0.33
Nikkei 225	38,073.98	-0.34
CSI 300	3,664.56	0.95
Hang Seng	18,537.81	1.22
Straits Times	3,265.95	0.04
KLCI 30	1,601.22	-0.22
<b>FX</b>		
Dollar Index	105.23	-0.30
EUR/USD	1.0782	0.32
GBP/USD	1.2524	0.21
USD/JPY	155.48	-0.03
AUD/USD	0.6620	0.61
USD/CNH	7.2223	-0.10
USD/MYR	4.7410	-0.01
USD/SGD	1.3525	-0.22
<b>Commodities</b>		
WTI (\$/bbl)	79.26	0.34
Brent (\$/bbl)	83.88	0.36
Gold (\$/oz)	2,340.30	0.78
Copper (\$\$/MT)	9,904.50	0.01
Aluminum(\$/MT)	2,561.50	0.49
CPO (RM/tonne)	3,946.00	-0.08

Source: Bloomberg, HLBB Global Markets Research  
\* Dated as of 8 May for CPO

return close to the 2% target in the near term, but to increase slightly in the 2H (4Q: 2.6%), owing to the unwinding of energy-related base effects. CPI is projected to be 1.9% in two years' time and 1.6% in three years. 3) In a new addition to its statement, the bank said that it would "consider forthcoming data releases and how these informed the assessment that the risks from inflation persistence were receding." As it is, the central bank will have access to two additional CPI prints of data before the next meeting, as well as the average weekly earnings data for impact from the recent hike in the National Living Wage on pay distribution. 4) BOE Andrew Bailey emphasized the importance of monitoring data releases, saying that "June is not a fait accompli, but each meeting is a new decision." BOE Chief economist Huw Pill added that the central bank is "not quite there yet" on interest rate cuts. As it is, the market remains divided on a rate cut in the June or August meeting but a full 25bps cut is only priced in for August.

- Separately, the Decision Maker Panel showed that the 1Y CPI inflation expectations eased further to 2.9% in April (Mar: 3.2%).

#### **BNM held OPR unchanged at 3.00%, continued to maintain a neutral tone**

- Bank Negara Malaysia (BNM) decided to leave the OPR unchanged at 3.00% for the sixth consecutive meeting as widely expected. The policy statement continued to strike a neutral tone, with BNM largely reaffirming its assessment on growth and inflation outlook, both globally and domestically. The global economy continued to expand while global inflation continued to moderate, although the pace of disinflation in some major economies, notably the US, has slowed, hence, raising the prospect of higher for longer policy stance. Domestically, economic activities picked up in 1Q24, and inflation is expected to remain moderate even if the potential impact of subsidy rationalization is being factored in. The neutral stance continued to reinforce our view for OPR to stay unchanged for the year. The central bank also reiterated that the Ringgit does not reflect its fundamental value primarily distorted by external factors, and that coordinated efforts between BNM and GLCs/ GLICs as well as the corporate sector is gaining traction and has helped alleviate pressure on the Ringgit.

#### **US jobless claims hit their highest since August 2023**

- Jobless claims rose more than expected to its highest level since August 2023, a potential sign that layoffs are rising. Claims rose by 22k to 231k for the week ending on May 4 (Apr 27: +1k), while continuing claims increased by 1785k the week prior (Apr 20: -6K). The states with the highest unadjusted initial claims were New York and California, the latter could be attributable to the minimum wage hike for fast-food and health care workers which could cost some jobs, while the former may be due to New York public school workers claiming benefits during the spring break.

#### **Japan's leading and coincident indices suggest a possible turning point for the economy; household spending fell, stable bank lending**

- Leading Index fell less than expected to 111.4 in March (Feb: 112.1), while the assessment for coincident index signalled a possible turning point for the overall economy. Weighing on the index was a decline in new job offers and worsening housing starts, while the rest of the sub-indices broadly strengthened.
- Data this morning, was nonetheless was mixed. While bank lending excluding trusts remained stable at +3.6% y/y in April, household spending contracted

at a larger pace of -1.2% y/y in March (Feb: -0.5% y/y) as consumers continued to tighten their belt in light of sticky price pressures. Moving forward, consumption may extend the drop for another month given the downbeat consumer confidence recently but officials are optimistic that private consumption will moderately increase going forward in line with wage growth.

#### China's exports returned to growth and should benefit from low base effect going forward

- Exports beat expectations slightly, rebounding more than expected to +1.5% y/y in April (Mar: -7.5% y/y), while imports rose a strong +8.4% y/y (Mar: -1.9% y/y). The latest data reaffirms expectations of a recovering external sector and will continue to benefit from favourable base effects going forward. This will provide a much-needed tailwind to overall growth, which has largely been weighed down by weak domestic demand and property market. By product, exports of integrated circuits, LCD panels and vehicle shipments rose by double-digit pace, while on the import side, imports of coals and iron expanded strongly but inbound shipment of consumer goods remained weak.

#### 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	1.06-1.09	1.06	1.05	1.06	1.06
GBP/USD	1.24-1.27	1.24	1.22	1.23	1.24
USD/JPY	150-156	152	149	146	143
AUD/USD	0.64-0.67	0.65	0.65	0.65	0.66
USD/MYR	4.71-4.78	4.73	4.68	4.64	4.57
USD/SGD	1.34-1.37	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
10-May	MA Manufacturing Sales Value YoY (Mar)	0.70%
	MA Industrial Production YoY (Mar)	3.10%
	JN Eco Watchers Survey Outlook SA (Apr)	51.2
	UK GDP QoQ (1Q P)	-0.30%
	US U. of Mich. Sentiment (May P)	77.2
13-May	AU NAB Business Conditions (Apr)	9
	AU CBA Household Spending MoM (Apr)	0.20%
	US NY Fed 1-Yr Inflation Expectations (Apr)	3.00%

Source: Bloomberg

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