

14 June 2024

Global Markets Research

Daily Market Highlights

14 June: All eyes on the BOJ today

JPY weakened ahead of the BOJ decision where rates are expected to be left unchanged

US initial jobless claims at 10-month high; PPI unexpectedly fell; UST yields fell consequently

Haven currencies were notable winners; sentiment for EUR remains weak amid political noises

- US equities closed mixed, with AI and Tesla powering Nasdaq and S&P 500 up between 0.2-0.3% d/d to fresh records again, while the blue-chip Dow continued to sputter with a 0.2% d/d dip. Tesla rallied 2.9% d/d after investors backed Elon Musk's \$56bn pay package, while Super Micro Computer and Broadcom shares also rallied, the latter after reporting better than expected AI-fuelled earnings. Sentiment was also buoyed by another set of tame PPI prints, another nod to Fed's progress made on the inflation front.
- Meanwhile, major indices in Europe extended their declines as political unease continued to shake the market while appetite for auto stocks dampened by EU's plan to slap higher tariffs on EVs from China and UK's probe into emissions claims. Asian stocks closed mixed before that, but are set to open lower today following the futures.
- Treasury yields fell 5-8bps across the curve after a much softer-than-expected PPI, with the 2- and 10Y- closed at 4.70% and 4.24% respectively. 10Y European bond yields closed mixed between -6 to +3bps, with heightened political risk in France driving up the premium for the sovereign bond.
- Haven currencies were winners in the forex market amongst G10, as investors were cautious after a relatively hawkish FOMC. Consequently, the DXY climbed 0.5% d/d to 105.20, with the Dollar strengthening against all its G10 peers save for the CHF. Again, European currencies like SEK, NOK, DKK and EUR continued to feel the rumble from the political unease, depreciating between 0.7-1.1% d/d against USD. Regional currencies closed mixed against greenback, with JPY, CNH and SGD weakening between 0.1-0.3% d/d, but MYR appreciated 0.2% d/d to 4.7090.
- Oil steadied around +0.2% d/d after US PPI reaffirmed signs of cooling inflation, and after Russia agreed to dial back on its output, a compensation for exceeding its quota earlier. Meanwhile, attacks on ships off Yemen continued, with 2 projectiles hitting a cargo vessel in the Gulf of Aden, lending some support to prices.

US jobless claims at 10-month high; PPI fell m/m due to gasoline

- Data overnight reaffirmed signs of a cooler labour market and modest improvements on the inflation front, facilitating a suitable environment for the Fed to cut its policy rates later this year. Producer prices (PPI) unexpectedly declined 0.2% m/m in May (Apr: +0.5% m/m), the most since October, with the fall in prices largely attributed to a 0.8% m/m decline in prices of goods, while prices for services was unchanged (Apr: +0.4% m/m and +0.6% m/m). Notably, nearly 60% of the decrease in goods can be traced to a 7.1% m/m plunge in the volatile gasoline prices as such, this same feat

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	38,647.10	-0.17
S&P 500	5,433.74	0.23
NASDAQ	17,667.56	0.34
Stoxx Eur 600	516.04	-1.31
FTSE 100	8,163.67	-0.63
Nikkei 225	38,720.47	-0.40
CSI 300	3,526.13	-0.51
Hang Seng	18,112.63	0.97
Straits Times	3,324.53	0.52
KLCI 30	1,610.17	0.08
FX		
Dollar Index	105.20	0.53
EUR/USD	1.0737	-0.67
GBP/USD	1.2762	-0.28
USD/JPY	157.03	0.20
AUD/USD	0.6636	-0.42
USD/CNH	7.2705	0.10
USD/MYR	4.7090	-0.17
USD/SGD	1.3511	0.29
Commodities		
WTI (\$/bbl)	78.62	0.15
Brent (\$/bbl)	82.75	0.18
Gold (\$/oz)	2,300.20	-1.53
Copper (\$\$/MT)	9,794.50	-1.51
Aluminum(\$/MT)	2,557.00	-0.72
CPO (RM/tonne)	3,971.50	0.70

Source: Bloomberg, HLBB Global Markets Research

* Dated as of 12 June for CPO

may not be repeated going forward. Other than this, prices for machinery & vehicle wholesaling, professional & commercial equipment wholesaling, portfolio management, and truck transportation of freight also fell during the month.

- In the labour market, jobless claims unexpectedly jumped 13k to its 10-month high of 242k for the week ended June 8 (June 1: -8k), while continuing claims rose a whopping 30k to 1820k the week prior (May 25: 0). The jump in claims were led by largely increases in California, during a period where holidays and end of school year can cause fluctuations in claims, but we opine that this could also be partially due to new law that mandated a \$20/hour minimum wage for fast food workers which took effect April, a sign that more job losses can be expected going forward.

Eurozone's industrial output unexpected fell because of intermediate goods

- The Euro area kicked off 2Q with industrial weakness, but there are signs of stability in the manufacturing sector given the recent uptick in its PMI to a 14-month high and because the contraction was narrowly focused on intermediate goods. Industrial output unexpectedly fell 0.1% m/m in April (Mar: +0.5% m/m) but aside from the decline in intermediate goods, all other categories improved, including a 3 consecutive month of gains in capital goods at +0.7% m/m, a positive nod to private investment going forward.

Still tight labour market for Australia

- Unemployment rate dipped 0.1ppts to 4.0% while employment change unexpectedly picked up 39.7k in May from +37.4k previously. The number of unemployed also fell 9k during the month after April's +33k increase, and the number of almost 600k unemployed people is still nearly 110k fewer than in March 2020, just before the pandemic. The employment-to-population ratio and participation rate both continued to be much higher than their pre-pandemic levels and with elevated levels of job vacancies, all reaffirmed the view of a relatively tight labour market which could keep wage-push inflation elevated and keep the RBA status quo next week.

House View and Forecasts

FX	This Week	2Q-24	3Q-24	4Q-24	1Q-25
DXY	102-106	105.43	105.56	103.45	101.38
EUR/USD	1.07-1.11	1.06	1.05	1.06	1.06
GBP/USD	1.26-1.30	1.24	1.22	1.23	1.24
USD/JPY	153-158	152	149	146	143
AUD/USD	0.65-0.68	0.65	0.65	0.65	0.66
USD/MYR	4.67-4.72	4.73	4.68	4.64	4.57
USD/SGD	1.33-1.36	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	4.25	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
14-June	UK BoE/Ipsos Inflation Next 12 Mths (May) HK PPI YoY (1Q)	3.00% 2.70%

	HK Industrial Production YoY (1Q)	4.10%
	EC Trade Balance SA (Apr)	17.3b
	US Import Price Index YoY (May)	1.10%
	US U. of Mich. Sentiment (Jun P)	69.1
	JN BOJ Target Rate (Upper Bound)	0.10%
17-June	JN Core Machine Orders MoM (Apr)	2.90%
	CH 1-Yr Medium-Term Lending Facility Rate	2.50%
	CH New Home Prices MoM (May)	-0.58%
	CH Industrial Production YTD YoY (May)	6.30%
	CH Retail Sales YTD YoY (May)	4.10%
	CH Fixed Assets Ex Rural YTD YoY (May)	4.20%
	CH Surveyed Jobless Rate (May)	5.00%
	US Empire Manufacturing (Jun)	-15.6

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

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