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Global Markets Research

Daily Market Highlights

17 May: Higher US import prices saw traders reweighing rate cuts

Dow briefly topped 40k but retreated amidst higher-for-longer chatters; UST yields and DXY rose
US import prices picked up to a 2-year high; IPI stagnated; housing data undershot expectations
All eyes on Malaysia's final 1Q GDP and China's slew of first tier economic data today

- A jump in Walmart and Boeing shares helped push the Dow briefly above the 40k mark although the index later wavered and closed 0.1% d/d in the red. S&P 500 and Nasdaq also lost 0.2% d/d and 0.3% d/d respectively, after the higher-than-expected import prices and Fed chatters from President Thomas Barkin to John Williams and Loretta Mester on "keeping rates steady until inflation recedes", sent UST yields up and weighed on the three major equity indices.
- European markets also mostly dipped, with Stoxx Eur 600 (-0.2% d/d) pulled down by auto, industrial goods and energy stocks amidst a string of mixed earnings. On the other hand, Asian markets closed in green with China property stocks rallying on optimism that the Government plans to buy up excess housing. Asian markets are, nonetheless, set for a mixed open today following the futures.
- Led by the front end, Treasury yields increased 1-7bps across the curve post the higher US import prices which saw traders rethinking rate cuts bets. The 2Y UST yield closed the day at 4.80% and the 10Y at 4.38%. Similarly, 10Y European bond yields closed 1-4 higher save for the Norwegian sovereign bonds.
- DXY firmed up slightly to 104.46 (+0.1% d/d), up from its intraday low of 104.08. With the exception of the NZD, all its G10 peers weakened 0.1-0.5% d/d against the USD. Regional currencies closed mixed, with MYR appreciating 0.5% d/d to 4.6830, but SGD and CNH depreciated slightly by 0.1% d/d each to 1.3460 and 7.2227 respectively, the latter after President Xi Jinping and Russian leader Valdimir Putin pledged cooperation against US "containment".
- Oil prices closed 0.6-0.8% d/d higher amidst shrinking stockpile in the US and risk-on sentiment after US CPI cooled for the first time in 6 months. Keeping prices elevated is also expectations that the OPEC+ will continue with output cut when they meet on June 1.

Largest import price increases in two years for the US; IPI stagnated; housing indicators undershot expectations; jobless claims fell

- Industrial production (IPI) stagnated in April after a downwardly revised 0.1% m/m gain previously, restrained by a drop in manufacturing output that highlights a sector still struggling for traction. Manufacturing output fell 0.3% m/m (Apr: +0.2% m/m), weighed down by declines in business equipment, construction supplies and most durable goods, the latter led by motor vehicles & parts, for electrical equipment, appliances & components and for wood products.
- The latest data is in line with the latest contraction in the ISM, as US producers continued to grapple with rising input prices and inconsistent demand. In fact, the ISM's latest semi-annual economic forecast also showed manufacturers

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	39,869.38	-0.10
S&P 500	5,297.10	-0.21
NASDAQ	16,698.32	-0.26
Stoxx Eur 600	523.62	-0.21
FTSE 100	8,438.65	-0.08
Nikkei 225	38,920.26	1.39
CSI 300	3,640.36	0.39
Hang Seng	19,376.53	1.59
Straits Times	3,304.99	0.47
KLCI 30	1,611.11	0.49
FX		
Dollar Index	104.46	0.11
EUR/USD	1.0867	-0.16
GBP/USD	1.2670	-0.12
USD/JPY	155.39	0.33
AUD/USD	0.6679	-0.22
USD/CNH	7.2227	0.07
USD/MYR	4.6830	-0.50
USD/SGD	1.3460	0.06
Commodities		
WTI ($/bbl)	79.23	0.76
Brent ($/bbl)	83.27	0.63
Gold ($/oz)	2,385.50	-0.39
Copper ($$/MT)	10,424.00	2.01
Aluminum($/MT)	2,586.50	-0.46
CPO (RM/tonne)	3,877.00	-0.82

Source: Bloomberg, HLBB Global Markets Research
** Dated as of 15 May for CPO*

expecting 2.1% revenue growth on average this year, a downgrade from their December projection, while input prices are projected to remain under 2% for the year.

- Import prices unexpectedly accelerated to +0.9% m/m and +1.1% y/y in April (Mar: +0.6% m/m and +0.4% y/y), the largest increases since 2022, casting a shadow on the downward drift in inflation outlook. The acceleration was driven by higher prices for nonfuel industrial supplies & materials; foods, feeds, & beverages; automotive vehicles; capital as well as consumer goods
- In the housing market, housing starts improved in April but this was primarily driven by the volatile multi-family segment, while single family homes moderated over the past few months. Amidst a subdued pipeline going forward and pushed back in the timing of Fed rate cuts in 2H, these will continue to weigh on housing activities going forward. Housing starts rose less than expected by 5.7% m/m to 1.36m rate in April (Mar: -16.8% m/m), while building permits unexpectedly dropped 3.0% m/m to 1.44m (Mar: -5.0% m/m), the latter seeing single-family permits falling for the third consecutive month.
- Initial jobless claims fell 10k to 222k for the week ended May 11, reversing a portion of the 23k jump the prior week which had pushed claims to the highest level in more than 8 months. Just a recap, the increase was largely attributed to a surge in applications in New York related to school spring breaks. Continuing claims, meanwhile, increased 13k to 1794k the week prior (Apr 27: +13k). All in, the supply and demand of workers is coming back into a better balance, just as the Fed would have wanted.
- Mixed string of regional indices. The New York Fed Services Business Activity index climbed nearly 4 points to 3.0 in May, its highest reading in over a year but firms were, nonetheless, less optimistic about future conditions. The Philadelphia Fed Business Outlook index declined more than expected to 4.5 (Apr: 15.5), suggesting softer regional manufacturing activity as new orders and shipments indices turned negative. Firms indicated a decline in employment, and price indices. Its future activity indices continued to suggest widespread expectations for growth over the next six months.

Higher than expected unemployment rate in Australia, but still tight market

- Despite affirmative signs of softening employment rate, most recent trend data continues to point to a relatively tight labour market. Jobless rate inched up more than expected to 4.1% in April (Mar: 3.9%), still around the 4.0% trend while employment change gained more than expected by +38.5k for April (Mar: -5.9k). The latter was predominantly driven by part time employment and is around its average over the 20 years before the pandemic.
- As it is, the uptick in unemployment rate largely reflected an increase in participation rate, more people without jobs available and looking for work, as well as more people than usual indicating that they had a job that they were waiting to start in. Consequently, the employment-to-population ratio remained steady at 64.0%, indicating that recent employment growth is broadly keeping pace with population growth and still close to historically high levels seen throughout 2023.

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	1.23-1.27	1.24	1.22	1.23	1.24
USD/JPY	153-157	152	149	146	143
AUD/USD	0.65-0.67	0.65	0.65	0.65	0.66

USD/MYR	4.71-4.76	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
17-May	SI Non-oil Domestic Exports YoY (Apr)	-20.70%
	CH New Home Prices MoM (Apr)	-0.34%
	CH Industrial Production YTD YoY (Apr)	6.10%
	CH Retail Sales YTD YoY (Apr)	4.70%
	CH Fixed Assets Ex Rural YTD YoY (Apr)	4.50%
	CH Surveyed Jobless Rate (Apr)	5.20%
	MA GDP YoY (1Q F)	3.90%
	HK GDP YoY (1Q F)	2.70%
	EC CPI Core YoY (Apr F)	2.70%
	US Leading Index (Apr)	-0.30%
20-May	UK Rightmove House Prices YoY (May)	1.70%
	CH 5-Year Loan Prime Rate	3.95%
	CH 1-Year Loan Prime Rate	3.45%
	MA Exports YoY (Apr)	-0.80%
	HK Unemployment Rate SA (Apr)	3.00%

Source: Bloomberg

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