

18 June 2024

Global Markets Research
Daily Market Highlights

18 June: Risk-on tone ahead of a flurry of central bank decisions

US consumer sentiment deteriorated amidst concerns over personal finances; import prices fell
BOJ maintained policy rates & will announce plan to reduce JGBs purchases in the next meeting
China maintained 1Y MLF rate unchanged despite a slew of weaker economic data

- The S&P 500 built on previous week's gains and rallied to a fresh record again, gaining 0.8% d/d while Nasdaq and the Dow Jones Industrial Average rose 1.0% and 0.5% d/d respectively. Megacap technology stocks bolstered the rally in the S&P 500, boosting the information technology sector 1.2% d/d. Broadcom, in particular, had a good day, adding 5.4% d/d to hit a new high. As it is, risk sentiment was largely buoyed by increasing confidence in the economy and prospects of interest rate cuts but this week, we will see a flurry of central bank decisions, Fed speaks and economic data starting with the retail sales today which could add more volatility into the market.
- Elsewhere, volatility in the French market subsided and France's CAC 40 rebounded 0.9% d/d after the political-unease driven sell-off last week. Asian markets closed mostly lower after the release of weak key economic data from China but is set to rebound today tracking overnight record-breaking Wall Street.
- In the Treasury market, UST yields were up 6-7bps across the curve, with the 2- and 10Y closing at 4.77% and 4.28% respectively. Led by UK gilts, 10Y European yields also rose between 1-6bps.
- The Dollar erased gains against most of its G10 peers amidst improved risk tone, fuelled by the rally in tech shares. DXY popped to as high as 105.65 but retreated to close at 105.32 or down 0.2% d/d. EUR and GBP appreciated in tune to 0.1-0.3% d/d against the Dollar, AUD closed flattish ahead of the RBA's decision today while JPY weakened 0.2% d/d to 157.74, with lack of details on Japan's bond buying likely to keep JPY weak. Regional currencies closed mixed against the Dollar, with CNH flattish at 7.2701 after the release of its slew of economic data and SGD appreciating 0.1% d/d. Meanwhile, MYR depreciated 0.3% d/d to close at 4.7207 last Friday.
- The risk-on rally in the US equity markets also spilled over to the commodities markets, sending WTI back above \$80/barrel or up 2.0-2.4% d/d for both the WTI and Brent.

BOJ maintained policy rates, will announce plan to reduce JGBs purchases in the next meeting

- As widely expected, the Bank of Japan (BOJ) decided by a unanimous vote, to maintain the uncollateralized overnight call rate at 0-0.1%. At the same time, the BOJ said that it will announce a plan to reduce the JGBs purchases at the next monetary policy meeting, after collecting views from market participants. In his press conference, Governor Kazuo Ueda commented that it's possible to raise rates in July depending on data, and added that the reduction in JGB purchases will be "considerable," but despite his relatively hawkish speak, OIS is assigning a 69.9% probability of the second interest

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	38,778.10	0.49
S&P 500	5,473.23	0.77
NASDAQ	17,857.02	0.95
Stoxx Eur 600	511.49	0.09
FTSE 100	8,142.15	-0.06
Nikkei 225	38,102.44	-1.83
CSI 300	3,536.20	-0.15
Hang Seng	17,936.12	-0.03
Straits Times	3,297.55	-0.81
KLCI 30	1,607.32	-0.18
FX		
Dollar Index	105.32	-0.22
EUR/USD	1.0734	0.29
GBP/USD	1.2705	0.14
USD/JPY	157.74	0.22
AUD/USD	0.6613	-0.03
USD/CNH	7.2701	-0.01
USD/MYR	4.7207	0.25
USD/SGD	1.3520	-0.09
Commodities		
WTI (\$/bbl)	80.33	2.40
Brent (\$/bbl)	84.25	1.97
Gold (\$/oz)	2,312.40	-0.81
Copper (\$\$/MT)	9,665.50	-0.78
Aluminum(\$/MT)	2,501.50	-0.64
CPO (RM/tonne)	3,962.00	-0.24

Source: Bloomberg, HLBB Global Markets Research
 * Dated as of 13 June for CPO, 14 June for KLCI, STI, USD/MYR

rate hike only in the October meeting.

- Meanwhile, core machine orders fell a shade less than expected by 2.9% m/m in April (Mar: +2.9% m/m), mainly due to a slump in manufacturing orders. As it is, the contraction within the month is within the Cabinet's Office assessment, who had pencilled in a 1.6% q/q contraction during 2Q from +4.4% q/q previously, also in indication that the contraction in orders is expected to narrow to an average of 1.0% for the month of May and June.

China maintained 1Y MLF unchanged and will mostly stay pat for 2024 despite still weak numbers

- Even with the weak economic data released, the People's Bank of China (PBoC) maintained its 1Y MLF rate unchanged at 2.50% and hence, will most likely continue to do so for the rest of the year to support yuan.
- Financing demand for corporate and households remained sluggish, with aggregate financing undershooting expectations at 14.8 trillion yuan for the first 5 months of the year (Jan-Apr: 12.7tn). Industrial production also decelerated more than expected to +5.6% y/y in May (Apr: +6.7% y/y) and will likely remain weak amidst looming tariff threats. Fixed asset investment undershot expectations at +4.0% y/y YTD (Jan-Apr: +4.2% y/y), as the property sector remains a drag despite the slew of stimulus measures. Property investment (YTD: -10.1% y/y) and residential properties sales (YTD: -30.5% y/y) fell double-digits, sending new and used home prices falling at a faster pace of 0.7% y/y and 1.0% y/y in May (Apr: -0.6% y/y and -0.9% y/y). Retail spending remained weak although picked up more than expected to +3.7% y/y (Apr: +2.3% y/y), as jobless less rate held steady at 5.0% and also benefitting from incentives for households to upgrade their old electrical appliances as well as subsidies for buyers of new cars.

US consumer sentiment deteriorated; import prices fell

- Consumer sentiment, using the University of Michigan Sentiment index as a gauge, unexpectedly deteriorated to its 7-month low of 65.6 in June (May: 69.1) as consumers' assessments of their personal finances faltered amidst rising concerns over weakening incomes as well as high prices. For the latter, while year-ahead inflation expectations were unchanged at 3.3%, long-run inflation expectations inched up 0.1ppts to 3.1%, but separate data also showed that import prices fell more than expected to -0.4% m/m in May (Apr: +0.9% m/m). This marks the first monthly drop since December 2023, a welcome news for inflation-weary consumers as well as domestic inflation outlook going forward. As it is, there is no change in our outlook that the Fed will deliver its first rate cut in 4Q of the year.
- Business activity declined modestly in New York State, with the Empire State Manufacturing Survey still below zero at -6 in June (May: -15.6). Despite it being weak, it was better than expected and optimism about the six-month outlook picked up to its highest level in more than 2 years.

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	1.26-1.29	1.24	1.22	1.23	1.24
USD/JPY	154-159	152	149	146	143
AUD/USD	0.65-0.68	0.65	0.65	0.65	0.66
USD/MYR	4.68-4.73	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	4.25	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
18-June	SI Non-oil Domestic Exports SA MoM (May)	7.60%
	AU RBA Cash Rate Target	4.35%
	EC ZEW Survey Expectations (Jun)	47
	EC CPI YoY (May F)	2.60%
	US New York Fed Services Business Activity (Jun)	3
	US Retail Sales Advance MoM (May)	0.00%
18-24 June	US Industrial Production MoM (May)	0.00%
	UK CBI Trends Total Orders (Jun)	-33
19-June	JN Exports YoY (May)	8.30%
	UK CPI Core YoY (May)	3.90%
	UK PPI Output NSA YoY (May)	1.10%
	UK House Price Index YoY (Apr)	1.80%
	US MBA Mortgage Applications	15.60%
	US NAHB Housing Market Index (Jun)	45

Source: Bloomberg

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