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Global Markets Research

Daily Market Highlights

19 June: RBA maintained cash rate at 4.35%

Weaker than expected US retail sales sent DXY and UST yields lower; industrial output jumped AUD strengthened; RBA discussed case for a rate hike but not a cut; potential upside risk in CPI Signs of recovery in regional exports, from Japan to Singapore's electronic shipments

- The S&P 500 rose to a fresh record for the 31st time this year, as AI darling Nvidia continued its march to new highs and topped Microsoft as the most valuable public company. The broad market index added 0.3% d/d, Nasdaq closed just above the flatline while the Dow settled 0.2% d/d higher as Nvidia jumped another 3.5% d/d. Trading outside the tech stock was, nonetheless, mild, but stronger oil prices also propelled oil giants like Exxon Mobil and Chevron.
- Meanwhile, Stoxx Eur 600 closed 0.7% d/d higher as the dust settled from the Macron vote call. Most sectors and bourses traded in the green, with construction stocks leading gains but consumer goods dipped. Similarly, Asian stocks also closed mostly higher and are expected to chalk another day of gain today following another S&P record and the futures.
- In the bond markets, US treasuries climbed after May retail sales came in softer than expected, sending yields down 5-7bps across the curve. The 2Y yield closed at 4.71% and the 10Y at 4.22%. 10Y European bond yields were also lower 1-7bps, save for the Norwegian bonds.
- DXY slid to as low as 105.13 after the release of the US retail sales data but later pared its losses after a chorus of Fed speaks urged patience in cutting rates. Still, the DXY closed the day 0.1% d/d lower at 105.26, with the Dollar weakening against all its G10 peers save for the JPY (-0.1% d/d). Leading gains against the Dollar were NOK, CHF and AUD (0.6-0.8% d/d), the latter after RBA mulled a rate hike. Regional currencies closed mixed against greenback, with MYR and SGD 0.1-0.2% d/d stronger at 4.7133 and 1.3509 respectively.
- In the commodities market, the risk-on sentiment also supported crude oil prices, sending the WTI and Brent up another 1.3-1.5% d/d.

RBA maintained cash rate at 4.35%; discussed case for a rate hike

- As widely expected, the Reserve Bank of Australia (RBA) left the cash rate target unchanged at 4.35%, and the bank reiterated its stance of returning inflation to target within a reasonable timeframe as its highest priority. Key highlights from the statement and Governor Michelle Bullock's press conference include: 1) The Board discussed the case for a rate hike at the meeting but the case for a rate cut was not considered. With this, futures are pencilling in no change in policy rates for the rest of the year. 2) The central bank remains on alert to potential CPI upside risk, with 2Q CPI important to provide a comprehensive view on prices. In fact, the statement flagged uncertainties for persistence services inflation as unit labour costs remain high (although has eased). 3) On the flip side, there have been indications that momentum in economic activity is weak, including slow growth in GDP,

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	38,834.86	0.15
S&P 500	5,487.03	0.25
NASDAQ	17,862.23	0.03
Stoxx Eur 600	515.01	0.69
FTSE 100	8,191.29	0.60
Nikkei 225	38,482.11	1.00
CSI 300	3,545.59	0.27
Hang Seng	17,915.55	-0.11
Straits Times	3,301.78	0.13
KLCI 30	1,606.13	-0.07
FX		
Dollar Index	105.26	-0.06
EUR/USD	1.0740	0.06
GBP/USD	1.2709	0.03
USD/JPY	157.86	0.08
AUD/USD	0.6656	0.65
USD/CNH	7.2711	0.01
USD/MYR	4.7133	-0.16
USD/SGD	1.3509	-0.08
Commodities		
WTI (\$/bbl)	81.57	1.54
Brent (\$/bbl)	85.33	1.28
Gold (\$/oz)	2,330.40	0.78
Copper (\$\$/MT)	9,671.50	0.06
Aluminum(\$/MT)	2,486.50	-0.60
CPO (RM/tonne)	3,951.00	-0.28

Source: Bloomberg, HLBB Global Markets Research
* Dated as of 17 June for CPO

a rise in the unemployment rate and slower-than-expected wages growth. 4) Financial conditions are restrictive, especially to households, but consumer spending will be supported by lower inflation and tax cuts, as well as an increase in wealth, driven by housing prices. 5) Conditions in the labour market remain tight and all in, risks remain balanced.

US retail sales rebounded modestly, but manufacturing production surged

- A mixed string of data in the US. Retail sales barely rose and undershot expectations at +0.1% m/m in May and data for the prior month was revised lower to -0.2% m/m, suggesting that consumer spending and GDP growth remained lackluster in 2Q. Signs of consumers feeling the pinch from the elevated inflation and interest rates were evident, with only eight of the 13 sales categories showing increases, spending on food services (used as a proxy for services demand) falling 0.4% m/m (Apr: +0.4% m/m) while online shopping grew 0.8% m/m (Apr: -1.8% m/m), evidence that consumers are tapping on online Memorial Day sales. More importantly, the control group sales, which is used to calculate GDP, climbed 0.4% m/m, but this followed a 0.5% m/m fall the prior month, the most in a year.
- On the flip side, industrial output jumped more than expected by 0.9% m/m in May (Apr: 0%), supported by a broad-based pick-up in manufacturing production (+0.9% m/m vs -0.4% m/m), a positive for the sector which has been struggling for momentum. Growth within the manufacturing sector was broad-based, led by a jump in consumer goods while business equipment output also climbed for the first time in 3 months.
- Meanwhile, the business climate in the New York district remains worse than normal, with the headline index falling 8 points to -4.7 in June, weighed down by the capital spending indicator. Optimism also remained subdued looking ahead, with only about a third of firms expecting activity to pick up over the next six months.

Eurozone's investor sentiment increased slightly; stagnant in Germany

- The ZEW Survey Expectations, a gauge of financial market experts' sentiment concerning the economic development of the Eurozone, increased slightly to 51.3 in June while assessment on Germany was hardly changed at 47.5 (May: 47.0 and 47.1), the latter flagging continuing jittery over the state of the economy as well as on inflation.
- Separate data released showed that the final Eurozone headline and core CPI was left unchanged at 2.6% and 2.9% in May, a pick-up from April's 2.4% and 2.7% and continued to be pushed up by services costs.

Japan's exports grew at its strongest pace since 2022

- Boosted by a weak yen, exports recorded its strongest growth since 2022 and outpaced expectations at +13.5% y/y in May (Apr: +8.3% y/y). While this is positive for the manufacturing sector, growth in export came amidst mixed signals from key overseas markets, with exports to the US and China recording double-digit growths while shipments to the EU fell. Similar to the previous months, shipments continued to be driven by higher demand for chips and motor vehicles.

Singapore's NODX registered its mildest contraction in 20 months amidst a jump in electronics exports

- Non-oil domestic exports (NODX) fell less than expected by 0.1% m/m in May, narrowing from the 9.6% y/y contraction previously. This marked the

mildest contraction in 20 months, as the pace of decline eased for non-electronics (-6.0% y/y vs -12.6% y/y), while exports of electronics products grew for the second month straight (+21.9% y/y vs +3.3% y/y) and posted the first double-digit growth in 22 months. By destination, NODX to the top markets as a whole grew, led by US, Hong Kong and Malaysia, though NODX to China, Taiwan, EU, Japan and Thailand declined.

- The latest data is largely in line with MAS' view that the manufacturing and trade-related sectors are expected to gradually recover, with the electronics cluster supported by demand for semiconductors for end-markets such as smartphones, PCs and AI and will have a spillover to other clusters like precision engineering.

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
19-June	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%
20-June	US NAHB Housing Market Index (Jun)	45
	CH 5-Year Loan Prime Rate	3.95%
	CH 1-Year Loan Prime Rate	3.45%
	MA Exports YoY (May)	9.10%
	HK Unemployment Rate SA (May)	3.00%
	UK Bank of England Bank Rate	5.25%
	US Initial Jobless Claims	242k
	US Housing Starts MoM (May)	5.70%
	US Building Permits MoM (May)	-3.00%
	US Philadelphia Fed Business Outlook (Jun)	4.5
EC Consumer Confidence (Jun P)	-14.3	

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@hbb.hongleong.com.my

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