

20 June 2024

## Global Markets Research

### Daily Market Highlights

## 20 June: All eyes on the BOE today

**GBP strengthened after UK's inflation slowed to its official target of 2%; the first time in 3 years**  
**High mortgage rates a drag on builder confidence in the US; mortgage applications slowed**  
**BOE to maintain bank rate at 5.25%; PBoC to stay pat on its 1Y and 5Y lending rates today**

- Both the US equity and bond markets were closed for the Juneteenth National Independence Day.
- European equities were mixed. FTSE 100 ticked up 0.2% d/d after UK inflation hit BOE's target for the first time in 3 years, but Stoxx Eur 600 closed slightly lower by 0.2% d/d, losing the positive momentum seen in the previous trading session. Basic resources, insurance and travel stocks led gains in the regional benchmark while real estate and technology were the biggest laggards. Asian stocks closed mixed, with Hang Seng leading gains, driven by optimism over potential capital market reform policies in China. Nonetheless, stock futures suggest that Asian equities are set to slip today as traders await new catalysts after the holiday in the US.
- In the bond market, yields to the 10Y European sovereign bonds rose between 1-5bps. French and Italian bonds were notable underperformers, after getting a scolding from the European Union for breaking the bloc's deficit and debt rules.
- The DXY closed flat at 105.25, and the Dollar weakened against most of its G10 peers save for the SEK, JPY and NZD (-0.2 to 0% d/d). Leading gains against USD were, nonetheless, AUD (+0.3% d/d), NOK (+0.1% d/d) and GBP (+0.1% d/d to 1.2720). GBP spiked to as high as 1.2740 against the greenback after the UK CPI print was released before narrowing its modest gains later, and with this, OIS is pricing in a 50.6% chance of a 25bps rate cut in the November meeting. Regional currencies closed mixed against the Dollar with CNH depreciating 0.1% d/d, SGD closing flattish at 1.3507, while MYR appreciated 0.1% d/d to 4.7065.
- The Brent edged 0.3% d/d lower amidst signs of growing crude oil stockpiles in the US, tempering optimism spurred by rising equity prices.

#### High mortgage rates a drag on builder confidence in the US

- Mortgage rates that continue to hover in the 7% range along with elevated construction financing costs continue to dampen builder sentiment, sending the NAHB Housing Market Index unexpectedly falling to its lowest reading since December 2023 at 43 in June (May: 45). All 3 sub-component indices fell during the month and all are below the key threshold of 50 for the first time since December 2023. The survey also showed that 29% of builders cut home prices to bolster sales in June, the highest share since January, while the use of sales incentives ticked up 0.2ppts to 61%. Meanwhile, evidence of persistently high mortgage rates is keeping many prospective buyers on the sidelines were also observed with mortgage applications slowing to +0.9% w/w for the week ended June 14 (June 7: +15.6% w/w).

#### Key Market Metrics

	Level	d/d (%)
<b>Equities</b>		
Dow Jones	38,834.86	0.15
S&P 500	5,487.03	0.25
NASDAQ	17,862.23	0.03
Stoxx Eur 600	514.13	-0.17
FTSE 100	8,205.11	0.17
Nikkei 225	38,570.76	0.23
CSI 300	3,528.75	-0.47
Hang Seng	18,430.39	2.87
Straits Times	3,304.00	0.07
KLCI 30	1,599.79	-0.39
<b>FX</b>		
Dollar Index	105.25	0.00
EUR/USD	1.0744	0.04
GBP/USD	1.2720	0.09
USD/JPY	158.09	0.15
AUD/USD	0.6673	0.26
USD/CNH	7.2813	0.14
USD/MYR	4.7065	-0.14
USD/SGD	1.3507	-0.01
<b>Commodities</b>		
WTI (\$/bbl)	81.57	1.54
Brent (\$/bbl)	85.07	-0.30
Gold (\$/oz)	2,330.40	0.78
Copper (\$\$/MT)	9,786.00	1.18
Aluminum(\$/MT)	2,499.00	0.50
CPO (RM/tonne)	3,939.00	-0.30

Source: Bloomberg, HLBB Global Markets Research  
 \* Dated as of 18 June for CPO, Dow Jones, S&P 500, Nasdaq, WTI, Gold

### UK's inflation slowed to official target of 2%

- UK's inflation retreated to BOE's target for the first time in 3 years at +2.0% y/y in May, while core eased to 3.5% y/y (Apr: +2.3% y/y and +3.6% y/y), all within consensus forecasts. The data marks a respite from the brutal cost of living squeeze, weighed down by lower food prices, recreation & culture and furniture & household goods, while motor fuels provided the largest, partially offsetting, upward contribution.
- Despite the uptick, we believe that BOE's job to tame inflation is not done at this juncture, with BOE likely to stay pat today and only cutting rates later in the year. For one, if prices continue to rise at the same rate m/m next month (+0.3% m/m), headline inflation will be back at over the 2% target at +2.1% y/y. Secondly, core-CPI remains above the official target and services inflation remains elevated at +5.7% y/y (Apr: +5.9% y/y). Lastly, producer prices (output) accelerated to +1.7% y/y (Apr: +1.1% y/y), led by higher refined petroleum products, suggesting a still uneven disinflation path, especially if producers can pass these higher costs to its consumers.
- The House Price Index, meanwhile, grew for the second month and at a faster pace of +1.1% y/y in April (Mar: +0.9% y/y), a sign of stability in the housing market, with north-west England the fastest growing region while home prices in London fell 3.9% y/y (Mar: -2.9% y/y).

### 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
20-June	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
21-June	AU Judo Bank Australia PMI Mfg (Jun P)	49.7
	AU Judo Bank Australia PMI Services (Jun P)	52.5
	UK GfK Consumer Confidence (Jun)	-17
	JN Natl CPI YoY (May)	2.50%
	JN Jibun Bank Japan PMI Mfg (Jun P)	50.4
	JN Jibun Bank Japan PMI Services (Jun P)	53.8
	UK Retail Sales Inc Auto Fuel MoM (May)	-2.30%

EC HCOB Eurozone Manufacturing PMI (Jun P)	47.3
EC HCOB Eurozone Services PMI (Jun P)	53.2
UK S&P Global UK Manufacturing PMI (Jun P)	51.2
HK CPI Composite YoY (May)	1.10%
UK S&P Global UK Services PMI (Jun P)	52.9
US S&P Global US Manufacturing PMI (Jun P)	51.3
US S&P Global US Services PMI (Jun P)	54.8
US Leading Index (May)	-0.60%
US Existing Home Sales MoM (May)	-1.90%

Source: Bloomberg

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