

24 June 2024

## Global Markets Research

### Daily Market Highlights

## 24 June: June PMIs signal divergence in growth outlook

**Acceleration in US Composite PMI; neutral for Japan; deterioration for the Eurozone and UK**  
**US leading index and home sales fell less than expected; USD strengthened against G10 peers**  
**UK retail sales boosted by warm weather; but GBP struggled and closed slightly weaker**

- The equity markets closed mixed on Friday, with Nvidia giving back some of its recent gains and weighing on both the S&P 500 and Nasdaq (-0.2% d/d). The Dow Jones Industrial Average was the outperformer, eking out a meagre gain of less than 0.1% d/d each but trading overall was volatile due to triple watching. Investors were also monitoring economic prints released during the day, with data showing home sales falling again while business activity continued to grow rapidly during the month, both better than expected.
- Elsewhere, the Stoxx Eur 600 traded down 0.7% d/d after Eurozone's preliminary PMI showed that the economy slowed in June. Asian markets also closed mostly in the red and equity futures indicate further losses today.
- Treasuries closed with small gains and yields fell between 0-1bps across the curve, to 4.73% for the 2Y and 4.26% for the 10Y. With the exception of the UK and French bonds, 10Y European bond yields also slid 0-8bps as weak European PMI amplified rate cut bets.
- DXY rallied to its session high of 105.92 before retreating to close at 105.80 (+0.2% d/d), tracking the Treasury yields. All G10 and most regional currencies depreciated against greenback, save for the THB, INR and CNH. Leading losses against greenback were JPY, CHF and AUD (-0.2 to -0.6% d/d) amongst G10 and KRW and TWD on the regional front (-0.2 to -0.3% d/d). MYR depreciated slightly by 0.1% d/d to close at 4.7127.
- The rally in crude oil prices fizzled out and WTI and Brent fell 0.6-1.8% d/d amidst the stronger Dollar. Nonetheless, four refineries in southern Russia were targeted, a reminder of the ongoing geopolitical tension, which could keep prices elevated. According to the Russian Defense Ministry, 70 drones were intercepted and destroyed over Crimea and the Black Sea and 43 over the Krasnodar region.

#### **S&P PMIs suggest a pick-up in US economic activity, stalled growth in Japan and deterioration for the UK and Eurozone in June**

- US flash composite PMI (54.6 vs 54.5) signals the fastest economic expansion for over two years in June and better than what consensus had anticipated, hinting at an encouragingly robust end to 2Q and one that is broad-based. Although led by the services sector (55.1 vs 54.8) reflecting strong domestic spending, the expansion was also supported by an ongoing recovery in the manufacturing sector (51.7 vs 51.3). The survey also brings welcome news in terms of job gains, with a renewed appetite to hire driven by improved business optimism.
- On the flip side, instead of moving closer to expansionary territory, the flash Eurozone Manufacturing PMI unexpectedly weakened to 45.6 in June (May: 47.3). This setback was compounded by the fact that new orders fell at a much

#### Key Market Metrics

	Level	d/d (%)
<b>Equities</b>		
Dow Jones	39,150.33	0.04
S&P 500	5,464.62	-0.16
NASDAQ	17,689.36	-0.18
Stoxx Eur 600	515.11	-0.73
FTSE 100	8,237.72	-0.42
Nikkei 225	38,596.47	-0.09
CSI 300	3,495.62	-0.22
Hang Seng	18,028.52	-1.67
Straits Times	3,306.02	0.18
KLCI 30	1,590.37	-0.15
<b>FX</b>		
Dollar Index	105.80	0.20
EUR/USD	1.0693	-0.08
GBP/USD	1.2645	-0.09
USD/JPY	159.80	0.55
AUD/USD	0.6641	-0.23
USD/CNH	7.2905	-0.01
USD/MYR	4.7127	0.07
USD/SGD	1.3549	0.04
<b>Commodities</b>		
WTI (\$/bbl)	80.73	-1.75
Brent (\$/bbl)	85.24	-0.55
Gold (\$/oz)	2,316.40	-1.59
Copper (\$\$/MT)	9,682.50	-1.78
Aluminum(\$/MT)	2,513.50	-0.32
CPO (RM/tonne)	3,969.00	-0.08

Source: Bloomberg, HLBB Global Markets Research  
 \* Dated as of 20 June

faster rate than in May, suggesting that a recovery may be further off than initially expected. The services sector continued to keep the Eurozone afloat at 52.6 (May: 53.2), but this also fell short of street estimates and parallel to this, service providers were a bit more reserved when it came to increasing their staffing levels.

- In the UK, the flash composite S&P PMI (51.7 vs 53.0) unexpectedly slowed in June, as a softer than expected services sector (51.2 vs 52.9) offset a stronger than expected manufacturing PMI (51.4 vs 51.2). The slowdown in part reflects uncertainty around the business environment in the lead up to the general election, with many firms reluctant to make decisions pending clarity on various policies, while, from an inflation perspective, stubbornly persistent service sector inflation remains evident.
- The expansion in the private sector stalled in Japan, as reflected by the neutral 50.0 composite reading in June (May: 52.6). Despite this, underlying PMI offers glimpses of positive news, with the manufacturing output (50.5 vs 49.7) returning to growth for the first time since May 2023, while the dip in the services sector (49.8 vs 53.8) was partially attributable to labour constraints. More concerning, however, was the pressure on margins for Japanese firms.

#### **US Leading Index and home sales fell again but was above forecasts**

- Economic data released over the US was softer but better than consensus had estimated, does not signal a recession but suggests that real GDP growth will slow further in 2Q-3Q as elevated inflation and high interest rates continue to weigh on consumer spending and the housing market. The Leading index (LEI) fell again in May by 0.5% (Apr: -0.6%), while the Index's six-month growth rate remained firmly negative at -2.0%, narrowing from -3.4% previously. The decline in the LEI was driven primarily by a decline in new orders, weak consumer sentiment about future business conditions and lower building permits.
- In the housing market, existing home sales fell 0.7% m/m to 4.11m in May, narrowing from -1.9% m/m previously while y/y sales dipped 2.8%. Partially contributing to the lower sales during the month was the highest price ever recorded (+5.8% y/y to \$419.3k) and as such, more inventory coming into home and is expected to tame home prices and support home sales in the upcoming months.

#### **Warm weather boosted retail sales for the UK**

- Retail sales rose more than expected and at its strongest pace since January at 2.9% m/m in May, rebounding sharply from the 1.8% m/m fall in April when heavy rain kept shoppers away. Sales rose across the board, led by strong monthly growth for clothing & footwear retailers, furniture stores as well as sports equipment, games & toys stores. Retailers reported improved footfall due to the better weather, and the impact of promotions on sales.
- In our opinion, the strong discretionary spending, improved consumer confidence as well as high wage growth all bodes well for overall consumption growth as well as GDP for the month of May as well as going forward. Taylor Swift's Eras Tour could also provide a temporary blip in sales for the months of June and August, mirroring Australia and Singapore.

#### **FDI into China continues to fall for the 12<sup>th</sup> month**

- Foreign direct investment into China fell for the 12<sup>th</sup> consecutive month in May (YTD: -28.2% y/y), underscoring Beijing's struggle to improve its appeals to overseas investors to boost growth. The Ministry of Commerce, nonetheless,

attributed this to higher base effect and reiterated authorities' increased efforts to attract FDI since the beginning of the year, but we expect this to be challenging amidst the ongoing tension between Beijing and US as well as EU.

#### Hong Kong's inflation remained tame at +1.2% y/y

- Inflation remained modest in May, although it picked up slightly to +1.2% y/y (Apr: +1.1% y/y) as prices of meals out and takeaway food continued to increase at a relatively fast pace, while those of basic food were virtually unchanged. Prices of energy-related items decreased markedly further while price pressures on other major components remained broadly in check. The inflation rate was below consensus forecast and should stay contained in the near term as external price pressures should continue to stay on a broad moderating trend. Domestic cost pressures may, nonetheless, accelerate as the economy continues to grow.

#### House View and Forecasts

FX	This Week	2Q-24	3Q-24	4Q-24	1Q-25
DXY	104-107	105.43	105.56	103.45	101.38
EUR/USD	1.05-1.08	1.06	1.05	1.06	1.06
GBP/USD	1.25-1.28	1.24	1.22	1.23	1.24
USD/JPY	155-161	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	1.34-1.37	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	4.25	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
24-June	SI CPI YoY (May)	2.70%
	MA Foreign Reserves	\$113.6b
	UK CBI Trends Total Orders (Jun)	-33
	US Dallas Fed Manf. Activity (Jun)	-19.4
25-June	JN PPI Services YoY (May)	2.80%
	AU Westpac Consumer Conf Index (Jun)	82.2
	MA CPI YoY (May)	1.80%
	HK Exports YoY (May)	11.90%
	US Philadelphia Fed Non-Manufacturing Activity (Jun)	-0.6
	US Chicago Fed Nat Activity Index (May)	-0.23
	US FHFA House Price Index MoM (Apr)	0.10%
	US S&P CoreLogic CS 20-City MoM SA (Apr)	0.33%
	US Conf. Board Consumer Confidence (Jun)	102
	US Richmond Fed Manufact. Index (Jun)	0
US Richmond Fed Business Conditions (Jun)	-9	
US Dallas Fed Services Activity (Jun)	-12.1	

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@hibb.hongleong.com.my](mailto:HLMarkets@hibb.hongleong.com.my)

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