

26 June 2024

## Global Markets Research

### Daily Market Highlights

## 26 June: S&P 500 snapped its losing streak on Nvidia rebound

**UST yields, DXY ticked up following Bowman's hawkish comments of upside risks to inflation**

**Less confident US consumers; continued increase in home prices albeit at slower pace**

**Malaysia CPI surprised on the upside; to stay manageable until RON95 subsidy retargeting kicks in**

- A 6.8% d/d rebound in Nvidia shares led the S&P 500 and Nasdaq Composite higher on Tuesday, a day after a sell-off in the chipmaking giant. S&P 500 added 0.4% d/d, while the Nasdaq advanced 1.3% d/d, both snapping its 3-day losing streaks. The Dow continued to trade in the opposite direction, losing 0.8% d/d. Several large-cap tech names also rebounded following Nvidia, rotating away from real estates, financials and utility stocks. The release of the Conference Board's Consumer Confidence index proved to be a non-event, trading sideways post-print.
- Elsewhere, Stoxx Eur 600 closed 0.2% d/d lower, with sectors and major bourses diverging. Industrial and financial services stocks sank, while healthcare as well as travel and leisure stocks outperformed. Airbus shares tanked 9.4% d/d after the company said it was cutting its targets for 2024, including aircraft deliveries and earnings. Asian markets mostly rose but are set for a mixed open today following the futures.
- Treasuries lost ground with yields ending 1-2 bps higher after hawkish comments from Fed Governor Michelle Bowman, who warned of upside risks to inflation. The 2Y yield closed at 4.74% and 10Y at 4.25%. European bond yields, on the other hand, closed slightly lower in tune to 1-3bps.
- DXY closed up 0.2% d/d to 105.61, despite trading below the flatline early in the session, rebounding after the comments from Fed's Bowman, and partly fuelled by weakness in NOK (-0.7% d/d). The rest of the G10 peers also weakened in tune to 0-0.3% d/d against the Dollar save for the GBP, which closed flat at 1.2686. Regional currencies closed mixed against the Dollar, with MYR leading the gainers by strengthening 0.2% d/d to 4.7052, benefitting from the risk-on sentiment.
- A stronger USD weighed on crude oil prices, sending the WTI and Brent down 1.0-1.2% d/d, but rising geopolitical turmoil could keep prices elevated for now.

#### Less confident consumers in the US, house prices remained sturdy

- Consumer sentiment pulled back in June, although it was better than street estimate and remained within the same narrow range throughout the past two years, as strength in current labour market views continued to outweigh concerns about the future. Thus, any material weaknesses in the labour market could materially impact confidence as the year progresses. The Conference Board's Consumer Confidence fell to 100.4 in June from 101.3 in May, as the Expectations Index stayed below the 80 -benchmark for the 5<sup>th</sup> month at 73.0 (May: 74.9).
- House prices continued to rise in April, although there are signs that the appreciation rate has slowed amid a slight rise in both mortgage rates and housing inventory, suggesting that the housing market has begun to show

#### Key Market Metrics

	Level	d/d (%)
<b>Equities</b>		
Dow Jones	39,112.16	-0.76
S&P 500	5,469.30	0.39
NASDAQ	17,717.65	1.26
Stoxx Eur 600	517.70	-0.23
FTSE 100	8,247.79	-0.41
Nikkei 225	39,173.15	0.95
CSI 300	3,457.90	-0.54
Hang Seng	18,072.90	0.25
Straits Times	3,326.28	0.37
KLCI 30	1,585.38	-0.27
<b>FX</b>		
Dollar Index	105.61	0.13
EUR/USD	1.0714	-0.18
GBP/USD	1.2686	0.00
USD/JPY	159.70	0.05
AUD/USD	0.6647	-0.15
USD/CNH	7.2893	0.08
USD/MYR	4.7052	-0.17
USD/SGD	1.3546	0.13
<b>Commodities</b>		
WTI (\$/bbl)	80.83	-0.98
Brent (\$/bbl)	85.01	-1.16
Gold (\$/oz)	2,316.60	-0.58
Copper (\$\$/MT)	9,571.00	-0.93
Aluminum(\$/MT)	2,496.00	-0.28
CPO (RM/tonne)	3,947.00	-0.06

Source: Bloomberg, HLBB Global Markets Research  
\* Dated as of 24 June

some signs of normalization. The FHFA House Price index undershot expectations but accelerated to +0.2% m/m in April from zero growth previously, but was softer on a y/y basis at +6.3% (Mar: +6.7% y/y). The S&P CoreLogic Case-Shiller Index broke its previous month's all-time high with a 1.2% m/m gain (Mar: +1.3% m/m) reflecting seasonal demand, but also eased to +6.3% y/y (Mar: +6.5% y/y).

- Regional indices were mixed. The Chicago Fed National Activity Index (CFNAI) unexpectedly turned positive at +0.18 in May (Apr: -0.26), suggesting that overall economic growth picked up during the month. The Philadelphia Fed Non-Manufacturing Activity index also rose 4 points to +2.9 in June and firms continue to expect growth over the next six months. On the flip side, Texas respondents continued to perceive worsening broader business conditions, though pessimism waned slightly, sending the general business activity index to -4.1 in June from -12.1 previously. In the Richmond district, both the manufacturing (-10 vs 0) and service sectors (-11 vs -9) slowed and firms grew less optimistic about local business conditions.

#### **Australia's consumer confidence rebounded but remained at pessimistic levels**

- Although improved 1.7% m/m in June (May: -0.3% m/m), the Westpac Consumer Confidence index suggests that sentiment remains firmly in deep pessimistic territory, as the positives from fiscal support measures were negated by increased concerns about inflation and interest rates. Consequently, while the pressure in family finances (+0.4% m/m vs +0.7% m/m) and purchasing power may have eased, it would require more support for consumer spending to convincingly pick up. As it is, the time to buy major item sub-index recorded a 4.2% m/m solid rise but remained at low levels, while the time to buy dwelling fell 4.8% m/m.

#### **Double-digit growths for Hong Kong exports for the second month**

- Matching expectations, exports posted double-digit growth again in May (14.8% y/y vs 11.9% y/y), as exports to China and the US continued to rise notably, while those to the EU rebounded. Impact from China's buy-back campaign and upcycle in the semiconductor was visible with the exports of "electrical machinery, apparatus and appliances, and electrical parts thereof" and "office machines and automatic data processing machines" registering strong growths during the months. Moving forward, exports should stay positive if external demand holds up, although geopolitical tensions will continue to bring uncertainties.

#### **Malaysia's headline CPI edged back up to 2.0% y/y in May, driven by water tariff hike**

- Headline CPI reaffirmed a still benign inflation environment, although the reading edged back up to 2.0% level for the first time in nine months in May (Apr: +1.8% y/y), mainly driven by bigger increase in the utilities category as a result of water tariff hikes in Perak during the month. Housing, water, electricity, gas & other fuels clocked in a quicker gain of 3.2% y/y in May (Apr: +3.0%). Eight out of the thirteen key categories reported slower price increases in May, while core CPI held steady at 1.9% y/y, added to signs of lack of inflationary pressure in the system. However, services CPI has been inching up gradually since the beginning of the year, from +1.9% y/y in January to +2.3% y/y in May, a trend worth monitoring for second round effect and cost pass-through.

- While overall inflation conditions remained manageable around the 2.0% levels at this juncture, we noticed there are emerging signs of upside risks to inflation. Potential second round rippling effects from the recent diesel subsidy retargeting that has prompted some service providers to raise prices could further exacerbate upside risk to inflation although we do not expect any material direct impact from the recently implemented floating of diesel prices from RM2.15 to RM3.35/ litre effective 10-June, given its smallish 0.2ppt weight in the CPI basket. Moving forward, the biggest wild card will be the rollout of subsidy retargeting for RON95. The timing and magnitude of its implementation will be the key influence to CPI trajectory going forward, given its heavier weight (5.5%) compared to diesel in the CPI basket. Our scenario analysis assuming adjustment to RON95 to kick in in 4Q at varying rates suggests average CPI should remain very manageable at 2.3% for 2024 even if prices are being fully floated to market prices in one single adjustment, just like diesel. Most of the inflationary impact should be more evident in 2025 before normalizing in 2026. We therefore do not foresee a strong case for any OPR hike at this juncture provided the policy-driven spike in inflation is transitory.

#### 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
26-June	AU Westpac Leading Index MoM (May)	-0.03%
	AU CPI YoY (May)	3.60%
	SI Industrial Production SA MoM (May)	7.10%
	UK CBI Retailing Reported Sales (Jun)	8
	US MBA Mortgage Applications	0.90%
	US New Home Sales MoM (May)	-4.70%
27-June	JN Retail Sales MoM (May)	1.20%
	AU Consumer Inflation Expectation (Jun)	4.10%
	CH Industrial Profits YTD YoY (May)	4.30%
	AU Job Vacancies QoQ (May)	-6.10%
	EC Economic Confidence (Jun)	96
	US GDP Annualized QoQ (1Q T)	1.30%
	US Initial Jobless Claims	238k
	US Durable Goods Orders (May P)	0.60%
	US Cap Goods Orders Nondef Ex Air (May P)	0.20%
	US Advance Goods Trade Balance (May)	-\$99.4b
	US Pending Home Sales MoM (May)	-7.70%
	US Kansas City Fed Manf. Activity (Jun)	-2

Source: Bloomberg

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