27 June 2024

Global Markets Research

Daily Market Highlights

27 June: JPY tumbled to its lowest in 38 years

JPY continued to stay above 160 despite upbeat retail sales data today; risking intervention risks
DXY jumped above 106 amidst weak JPY and higher UST yields; the latter spurred by hawkish Fed
Built-up in US housing inventory; shaky UK consumers; upward surprises in Australia's CPI

- The frenzy in technology stocks continued to push Nasdaq and S&P 500 higher for the second day, sending both indices up 0.2-0.5% d/d, while the Dow also closed just above the flatline. This comes after tech stocks like Amazon rallied 3.9% d/d to a record, Apple added 2.0% while Meta gained 0.5% d/d. Banking stocks were also in focus, after the Fed said that US' biggest banks are able to withstand a severe recession scenario in its annual stress tests, but despite this, shares of Goldman Sachs and JPMorgan Chase still closed in the red.
- Elsewhere, the Stoxx Eur 600 closed 0.6% lower, as bond yields rose on rates uncertainty. Auto as well as travel and leisure stocks were notable laggards, while tech was the lone sector in the green. French stocks also resumed their decline. Asian markets closed mixed, with semiconductor and related stocks rallying, but are set to open lower today following the futures.
- Treasuries extended their weakness, still feeling the rumble from the Fed's Bowman hawkish speak, sending yields up between 5-9bps across the curve. The 2Y yield rose 5bps to 4.75% and the 10Y gained 8bps to 4.33%. 10Y European bond yields were also higher 2-7bps.
- DXY jumped 0.4% d/d to 106.05, as the JPY tumbled to its lowest since 1986 against the USD. JPY closed at 160.81 (-0.7% d/d), after plunging as low as 160.87 during the day, severely raising intervention risks. JPY is trading at 160.60 at the point of writing, with the better-than-expected Japan's retail data this morning failing to lift sentiment for the currency significantly (May: +3.0% y/y and +1.7% m/m vs Apr: +2.0% y/y and 0.8% m/m).
- USD also strengthened against the rest of its G10 peers, save for the AUD. The latter closed little change at 0.6648, supported by the higher-than-expected price prints released during the day. Similarly, regional currencies depreciated against USD, the latter benefitting from its higher UST yields overnight. CNH, MYR and SGD closed weaker between 0.2-0.3% d/d at 7.3009, 4.7163 and 1.3580 respectively.
- Oil prices swung between gains and losses to eventually settle with small gains between +0.1-0.3% d/d, in a tug of war between optimism over summer demand versus higher US inventory. According to the Energy Information Administration, crude stockpiles climbed 3.6m barrels, bringing the combined oil and fuel product inventories to its highest since February 2021.

Built-up in US housing inventory

- High mortgage rates and still elevated home prices continued to weigh on affordability, sending mortgage applications to increase at a slightly slower pace of +0.8% m/m w/w for the week ended June 21 (June 14: +0.9% m/m).

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	39,127.80	0.04
S&P 500	5,477.90	0.16
NASDAQ	17,805.16	0.49
Stoxx Eur 600	514.81	-0.56
FTSE 100	8,225.33	-0.27
Nikkei 225	39,667.07	1.26
CSI 300	3,480.27	0.65
Hang Seng	18,089.93	0.09
Straits Times	3,331.70	0.16
KLCI 30	1,590.95	0.35
FX		
Dollar Index	106.05	0.42
EUR/USD	1.0681	-0.31
GBP/USD	1.2622	-0.50
USD/JPY	160.81	0.70
AUD/USD	0.6648	0.02
USD/CNH	7.3009	0.16
USD/MYR	4.7163	0.24
USD/SGD	1.3580	0.25
Commodities		
WTI ($/bbl)	80.90	0.09
Brent ($/bbl)	85.25	0.28
Gold ($/oz)	2,299.20	-0.75
Copper ($$/MT)	9,540.00	-0.32
Aluminum($/MT)	2,512.00	0.64
CPO (RM/tonne)	3,913.50	-0.85

Source: Bloomberg, HLBB Global Markets Research
** Dated as of 25 June*

New home sale sales unexpectedly slumped 11.3% m/m in May (Apr: +2.0% m/m) and the inventory jumped to its highest since 2008. At 481k, this represents a supply of 9.3 months (Apr: 8.1) at the current sales rate, the longest since 2022, raising risks that builders will dial back building and subtracting GDP going forward. Home prices also took a breather, sliding 0.9% y/y and 0.1% m/m to $471.4 (Apr: +0.2% y/y and -4.3% m/m).

Still shaky UK consumers

- May's nascent recovery in sales proved to be short-lived, with retailers reporting a faster-than-anticipated decline this month (CBI Retailing reported sales: -24 vs +8). While unseasonably cold weather in June may have played a role, the data suggests that consumers remain on shaky ground, as households continue to struggle with the legacies of the cost-of-living crisis, and with inflation still historically high in some areas.

Australia's leading index suggests patchy growth in 2H; upward surprises in CPI

- The decline in Westpac-Melbourne Institute Leading Index narrowed to -0.01% m/m in May from -0.03% m/m previously, suggesting that momentum remains patchy with higher rates, lower commodity prices and housing weakness the main drags. Overall, the index points to growth slightly below-trend growth over the 2H, but with the more than expected upturn in May's CPI (+4.0% y/y vs +3.6% y/y), we expect the RBA to still leave the cash rate unchanged at the August 5–6 monetary policy meeting. The 2Q CPI update, due on July 31, will provide a critical piece of the inflation puzzle for the RBA ahead of its August meeting.

Singapore's manufacturing output beat forecasts as electronics turned positive

- Manufacturing output grew more than forecasts by 2.9% y/y in May (Apr: -1.2% y/y) as output in the linchpin electronics cluster turned sharply positive at 20.1% y/y, reversing from the 1.1% y/y contraction recorded in the previous month. All segments recorded gains, with semiconductors recording a 20.6% y/y jump.
- As it is, the turnaround in electronics output has long been anticipated, as the global semiconductor industry has posted double-digit y/y sales increases each month in 2024, and worldwide sales in April increased on a m/m basis for the first time this year, suggesting positive market momentum in the short-term. Additionally, the WSTS is projecting strong annual growth for the next 2 years (+16.0% y/y in 2024 and +12.5% y/y in 2025), led by sales to the Americas market, which is expected to grow by more than 25% this year.

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
27-June	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
28-June	UK Lloyds Business Barometer (Jun)	50
	JN Jobless Rate (May)	2.60%
	JN Tokyo CPI YoY (Jun)	2.20%
	JN Industrial Production MoM (May P)	-0.90%
	AU Private Sector Credit MoM (May)	0.50%
	UK GDP QoQ (1Q F)	0.60%
	EC ECB 1 Year CPI Expectations (May)	2.90%
	US Personal Income (May)	0.30%
	US Personal Spending (May)	0.20%
	US PCE Core Deflator YoY (May)	2.80%
	US MNI Chicago PMI (Jun)	35.4
	US U. of Mich. Sentiment (Jun F)	65.6
	US Kansas City Fed Services Activity (Jun)	11

Source: Bloomberg

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