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Global Markets Research

Daily Market Highlights

20 May: The Dow closed above 40k for the first time in history

UST extended losses; DXY closed flattish after Bowman expects elevated CPI for some time
China unveiled measures to support the housing market; boosting CSI 300 but not CNH
Quicker 1Q GDP growth for Malaysia; MYR strengthened but reversed gains to close weaker

- The Dow Jones Industrial Average closed above the 40k benchmark for the first time in history, gaining 0.3% d/d last Friday. While gains were broad-based, it was propelled by a 1.0% d/d rally in energy stocks, Caterpillar shares and blowout results from Walmart. S&P 500 also traded up 0.1% d/d, with Valero Energy and Chubb amongst the biggest winners, the latter after Berkshire built a stake in the insurance company. As it is, sentiment continued to be lifted by expectations that the Fed will cut rates in 2H of the year. Nasdaq, was nonetheless the outlier, dipping 0.1% d/d.
- European markets also followed Wall Street's pullback, with Stoxx Eur 600 retreating 0.1% d/d. Most sectors traded in negative territory, led by risk-sensitive stocks such as utilities and real estate. Banks and consumer goods outperformed after Richemont shares jumped after naming a new CEO. In Asia, CSI 300 and Hang Seng got a boost after China announced sweeping measures to boost the slumping property market, sending property shares rallying.
- Treasuries extended recent losses, and saw yields increasing 3-5bps across the curve after Fed Governor Michelle Bowman said that she expects inflation to remain elevated for some time. The 2Y yield rose 3bps to 4.83%, and the 10Y was up 5bps to 4.42%. Similarly, 10Y European bond yields rose in tune to 5-6bps.
- DXY closed just below the flatline at 104.45, with most of the G10 currencies strengthening against the Dollar save for the SEK, CHF and JPY (+0.2% d/d to 155.65). Leading gains against the Dollar were GBP, AUD and NZD (+0.2% d/d each), while EUR closed little changed at 1.0869 after ECB's Isabel Schnabel warned against back-to-back rate cuts in June and July. Regional currencies mostly depreciated against the greenback save for the INR and SGD (+0.1% d/d to 1.3450). MYR strengthened to 4.6790 after the better-than-expected 1Q GDP, but pared its gains to close 0.1% d/d weaker at 4.6877.
- Crude oil prices gained 0.9-1.1% d/d as traders were reminded of geopolitical threats, after Ukrainian drones set Russia's Tuapse refinery on fire. Recent declines in inventories also lent some optimism over demand.

US Leading Index unexpectedly worsened, suggesting softer economic conditions ahead but not a recession

- The Conference Board Leading Economic Index unexpectedly worsened to -0.6% in April (Mar: -0.3%), weighed down by deterioration in consumers' outlook on business conditions, weaker new orders, a negative yield spread, and a drop in new building permits while stock prices contributed negatively for the first time since October 2023. The 6-months and annual growth rates suggest softer economic conditions ahead, although not a recession as the economy continues to grapple with elevated inflation and interest rates,

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	40,003.59	0.34
S&P 500	5,303.27	0.12
NASDAQ	16,685.97	-0.07
Stoxx Eur 600	522.94	-0.13
FTSE 100	8,420.26	-0.22
Nikkei 225	38,787.38	-0.34
CSI 300	3,677.97	1.03
Hang Seng	19,553.61	0.91
Straits Times	3,313.48	0.26
KLCI 30	1,616.62	0.34
FX		
Dollar Index	104.45	-0.02
EUR/USD	1.0869	0.02
GBP/USD	1.2701	0.24
USD/JPY	155.65	0.17
AUD/USD	0.6693	0.21
USD/CNH	7.2337	0.15
USD/MYR	4.6877	0.10
USD/SGD	1.3450	-0.07
Commodities		
WTI ($/bbl)	80.06	1.05
Brent ($/bbl)	83.98	0.85
Gold ($/oz)	2,417.40	1.34
Copper ($$/MT)	10,668.00	2.34
Aluminum($/MT)	2,612.00	0.99
CPO (RM/tonne)	3,844.50	-0.84

Source: Bloomberg, HLBB Global Markets Research
** Dated as of 16 May for CPO*

rising household debt, and depleted savings.

UK home prices hit record highs, but pace of price gains has slowed

- Prices of homes being put up for sale in Britain have hit record highs despite still expensive mortgage costs, but the pace of gains has slowed to its weakest in 2024. The average asking price rose 0.8% m/m to £375.1k in May (Apr: 1.1% m/m), with Rightmove adding that affordability for many home buyers still stretched and that momentum of the spring selling season was not a sign of a return to strong demand.

China released mixed data and unveiled measures to support the housing market

- China reported data that pointed to slower growth on the consumer front, falling property investment drag on economic activities, while industrial activities accelerated. Retail sales unexpectedly slowed to 2.3% y/y in April (Mar: +3.1% y/y), while fixed asset investment undershot expectations at +4.1% YTD. Both infrastructure and manufacturing investment slowed, while real estate investment steepened its pace of decline, and was down 9.8% YTD, dragging new home prices 0.6% m/m lower during the month (Mar: -0.3% m/m). On the flip side, IPI topped forecasts and accelerated to +6.7% y/y (Mar: +4.5% y/y) while jobless rate unexpectedly eased 0.2ppts to 5.0%. According to officials, the April data were affected by the Labour Day holiday and last year's high base effect, and added that sales were boosted by home appliances and automobiles due to nationwide trade-in incentives.
- In our opinion, the uncertainty of the current external environment has increased and will remain a threat to China's exports and the manufacturing sector, especially after the Biden administration hiked tariffs on an array of Chinese imports like the EVs. On the domestic front, domestic demand remains insufficient and thus, we expect officials to focus on strengthening the economic foundation via fiscal stimulus and more property related measures to absorb the excess inventory in the market, like the recent announced scrap in nationwide mortgage rates, cutting the minimum down-payment ratio to 15% for first time buyers and 25% for second homes, as well as encouraging local governments to acquire homes at "reasonable" prices and turn them into affordable housing.

Hong Kong's GDP moderated to 2.7% in 1Q amid slower growth in consumer spending and exports

- As per expectations, Hong Kong's final GDP print was left unchanged at +2.3% q/q and +2.7% y/y growth in 1Q, a pick up on a q/q basis but moderation on a y/y basis (4Q: +0.2% q/q and +4.3% y/y). Just a recap, 1Q advance GDP had earlier beat consensus forecasts, and in our opinion, a tentative sign that the post-pandemic recovery is stabilizing but remains challenging.
- Largely weighing on the moderate growth in 1Q was a slowdown in household spending (+1.0% y/y vs +3.5% y/y) partially due to high base effect and weak sentiment, as well as private investment (+0.3% y/y and +17.5% y/y) due to tight financial conditions. Meanwhile, exports of services (+8.4% y/y vs +21.2% y/y) and goods (+6.8% y/y vs 2.8% y/y) continued to grow notably thanks to a further increase in visitor arrivals for the former and favourable external demand as well as low base effect for the latter.

Singapore's NODX underperformed expectations on non-electronics

- The contraction in non-oil domestic exports (NODX) narrowed less than expected to 9.3% y/y in May (Apr: -20.8% y/y). The decline was nonetheless, partially attributable to high base effect, weighed down by continued contraction in non-electronics exports while exports of electronic products grew 3.3% y/y (Mar: -9.5% y/y). The 12.3% y/y decline in non-electronic NODX (Mar: -23.2% y/y) was driven by the volatile pharmaceuticals, non-electric engines & motors and food preparations. NODX to the top markets as a whole declined, led by the US, EU and South Korea, though NODX to China, Malaysia, Hong Kong, Indonesia and Japan expanded.
- Moving forward, officials remained optimistic on external demand, and expect the manufacturing sector and trade activity to benefit from the ongoing recovery in the global electronics industry, especially in the memory chip segment. The still tight monetary policy in major export destinations like the US and EU, in our opinion, could suggest still subdued external demand growth.

Quicker 1Q GDP growth of 4.2% y/y for Malaysia, driven by improvement in domestic demand and smaller drag from net exports

- The Malaysian economy picked up steam to increase at a faster pace of 4.2% y/y in 1Q24, surpassing its advance and consensus estimate of 3.9% y/y, and marked a pick-up from the revised 2.9% y/y gain in 4Q23 and its fastest in a year. We noted data series in the last three years have been revised, hence largely explained the slight upside surprises in today's final reading. That said, the overall details were largely in line. Domestic demand, mainly catalysed by private consumption, remained the main growth engine during the quarter. This was further reinforced by improvement in investment activities and a turnaround in exports that has led to a smaller drag from net exports. The monthly momentum also came in as expected, with a notable slowdown in March after the seasonal boost in January and February.
- The Malaysian economy is expected to gain further traction going into the remaining quarters of the year, piggybacking on continuous recovery in external demand reinforced by global tech upcycle, favourable commodity prices, and most importantly, further improvement in domestic economic activities, led by private consumption and anticipated pick-up in investment. Despite uneven growth outlook among major economies, the world economy looks poised to maintain a moderate growth path, underpinned by resiliency in the US economy.
- We are tweaking our full year growth forecast slightly higher to 4.9% (prior: 4.7%) to take into account the revision to past three years data series and foresee the likelihood of some upside risk stemming from potential spending boost from EPF Account 3 withdrawal. Expectations for continued moderate economic expansion, coupled with manageable inflationary outlook despite ongoing subsidy rationalisation programmes, reinforced our view for OPR to stay unchanged at 3.00% for the year.

House View and Forecasts

FX	This Week	2Q-24	3Q-24	4Q-24	1Q-25
DXY	103-106	105.43	105.56	103.45	101.38
EUR/USD	1.07-1.10	1.06	1.05	1.06	1.06
GBP/USD	1.25-1.28	1.24	1.22	1.23	1.24
USD/JPY	153-157	152	149	146	143
AUD/USD	0.65-0.68	0.65	0.65	0.65	0.66
USD/MYR	4.66-4.71	4.73	4.68	4.64	4.57

USD/SGD	1.33-1.36	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	4.50	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-May	CH 5-Year Loan Prime Rate	3.95%
	CH 1-Year Loan Prime Rate	3.45%
	MA Exports YoY (Apr)	-0.80%
	HK Unemployment Rate SA (Apr)	3.00%
21-May	AU Westpac Consumer Conf SA MoM (May)	-2.40%
	AU RBA Minutes of May Policy Meeting	
	EC Construction Output MoM (Mar)	1.80%
	EC Trade Balance SA (Mar)	17.9b
	UK CBI Trends Total Orders (May)	-23
	US Philadelphia Fed Non-Manufacturing Activity (May)	-12.4

Source: Bloomberg

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