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Global Markets Research

Daily Market Highlights

3 May: OECD expects steady global growth of 3.1% in 2024

Tech stocks lifted US stock markets; DXY fell amidst lower Treasury yields

Mixed PMI readings reaffirmed a still patchy and fragile outlook ahead

Solid US jobs and factory order data; all eyes on NFP today

- US stocks rallied on Thursday as investors breathed a sigh of relief after a less hawkish message from Fed Chair Powell and as investors looked ahead to more corporate earnings and a key labor report set for today. Again, technology stocks led the three major stock indices higher by 0.9-1.5% d/d, with chipmaker Qualcomm jumping 9.7% d/d on profit beat and Apple shares supported by its share buyback news. Consequently, shares of Amazon and Nvidia also benefited from this positive sentiment.
- European stocks closed mixed; Stoxx Eur 600 closed down 0.2% d/d pressured by retail and technology stocks while the UK FTSE advanced 0.6% on the day. It was a busy day for earnings, with Novo Nordisk, AP Moller and Shell posting results and were mixed. Asian stocks, on the other hand, climbed after Powell downplayed prospects of rate hikes and are expected to extend its gains today following futures and overnight Wall Street gains. Markets in Japan and China are, nonetheless, closed for holiday.
- In the bond market, Treasuries extended their post-FOMC gains led by the front end. The 2Y yield fell 9bps to 4.87%, while the 10Y dropped 5bps to 4.58%. Led by UK gilts, 10Y European bond yields also fell between 2-8bps.
- DXY lost 0.4% d/d to close at 105.30 amidst lower UST yields, with the USD trading broadly weaker against all its G10 peers. AUD, NZD, SEK and JPY were the leading gainers against the Dollar for the second day at +0.6% d/d each, with the latter supported by fears of Japanese official intervention after softening to as low as 160 during the week. Similarly, regional currencies also strengthened against the greenback save for the INR.
- Oil prices settled little changed (-0.1 to +0.3% d/d), swinging within a narrow range throughout the day as traders weighed in on the latest build-up in US stockpiles and a potential ceasefire in the Middle East.

OECD expects steady global growth for 2024-2025

- Key highlights from the latest OECD Economic Outlook includes: 1) Global GDP growth is expected to hold steady at 3.1% in 2024 and 3.2% in 2025 (2023: 3.1%). 2) In the US, higher borrowing costs, fading support from rising asset prices and the rundown of household savings are expected to moderate domestic demand in mid-2024, although a resilient labour market and gradual monetary easing is projected to spur a pick-up from late 2024. GDP growth is projected to be at 2.6% in 2024 and 1.8% in 2025 (2023: +2.5%). 3) The unwinding effects from the energy price shock, a recovery in real household incomes, tight labour markets and reductions in policy rates are projected to spur a gradual rebound for the Eurozone and UK. The euro area is projected to pick up to 0.7% in 2024 and 1.5% in 2025 (2023: +0.4%), while the UK is projected to accelerate to 0.4% and 1.0% in 2024 and 2025

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	38,225.66	0.85
S&P 500	5,064.20	0.91
NASDAQ	15,840.96	1.51
Stoxx Eur 600	503.21	-0.22
FTSE 100	8,172.15	0.63
Nikkei 225	38,236.07	-0.10
CSI 300	3,604.39	-0.54
Hang Seng	18,207.13	2.50
Straits Times	3,296.89	0.13
KLCI 30	1,580.30	0.27
FX		
Dollar Index	105.30	-0.43
EUR/USD	1.0725	0.12
GBP/USD	1.2534	0.06
USD/JPY	153.64	-0.60
AUD/USD	0.6565	0.64
USD/CNH	7.2063	-0.38
USD/MYR	4.7545	-0.38
USD/SGD	1.3549	-0.43
Commodities		
WTI ($/bbl)	78.95	-0.06
Brent ($/bbl)	83.67	0.28
Gold ($/oz)	2,309.60	-0.06
Copper ($$/MT)	9,765.50	-1.31
Aluminum($/MT)	2,528.00	-1.92
CPO (RM/tonne)	3,859.50	-2.46

Source: Bloomberg, HLBB Global Markets Research
** Dated as of 30 April for CPO, CSI 300*

(2023: +0.3%). 4) Growth in Japan is projected to recover steadily after 1Q, with domestic demand driven by stronger real wage growth and continued accommodative monetary policy. GDP is projected to expand by 0.5% in 2024 and 1.1% in 2025 (2023: +1.9%). 5) GDP growth in China is projected to slow only modestly to 4.9% in 2024 and 4.5% in 2025 (2023: 5.2%), supported by sizable fiscal stimulus in 2024 and infrastructure investment, and strengthening external demand.

S&P Manufacturing PMI for Malaysia remained muted at 49.0

- The final HCOB Eurozone Manufacturing PMI for April was revised upwards by 0.1ppts to 45.7 (Mar: 46.1). Moving forward, although confidence improved further and production shrank at the softest rate in a year, the sharpest decline in new orders YTD points to ongoing challenges faced by the bloc. There remained considerable differences in country-level trends, with Germany and Austria the worst performers again, albeit with smaller declines.
- April's Manufacturing PMI for Malaysia suggests that demand remains muted (49.0 vs 48.4), but points to an upward trajectory going forward given the softer moderations in production, new business and purchasing, as well as renewed expansion in new export sales, the latter the strongest in 3 years. The outlook, thus remained positive over the coming year.
- The Vietnam manufacturing PMI returned to growth in April at 50.3 (Mar: 49.9). There were some signs that the rebound was a surprise for firms, given indications that they released some workers as the employment index fell for the first time in 3 months. Input costs continued to rise, but at a relatively muted pace, enabling manufacturers to offer discounts to attract new business.
- In the services sector, the final Judo Bank Australia's PMI was revised downwards by 0.6ppts to 53.6 for April (Mar: 54.4), but remained solid, and will continue to drive the economy. The new order index has remained consistently above 50 for the past 3 months, businesses continued to expand headcounts while margin pressure has remained stable.

US employers announced less job cuts, jobless claims held steady, unit labour costs picked up; factory orders rose on aircraft and automotive

- Latest labour data continues to point to a resilient and still tight labour market, but as labor costs continue to rise, this will limit disinflation progress and companies may also be slower to hire. According to Challenger, Gray & Christmas Inc, US employers announced 64.8k job cuts in April, a 28% m/m and 3.3% y/y decline (Mar +0.7% m/m), with notable job cuts seen in the technology and automotive sectors, the latter due to Tesla. US employers also announced plans to hire 9.8k workers in April, its lowest since April 2013.
- Official data from the BLS, meanwhile, showed that jobless claims held steady at a low level of 208k for the week ended April 27 (Apr 20: -4k), while continuing claims were also unchanged at 1774k the week prior (Apr 13: -23k). 1Q unit labour costs increased by the most in a year (+4.7% vs 0) as productivity slowed (+0.3% vs +3.5%). While quarterly productivity data could be volatile, a sustained slowdown could potentially limit disinflation progress moving forward, a challenge to the Fed.
- Matching expectations, factory orders rose a solid 1.6% m/m in March (Feb: +1.2% m/m), lifted primarily by demand for commercial aircraft and motor vehicles. Gains elsewhere, were more moderate (+0.5% m/m vs +1.1% m/m)

as machinery orders slipped 0.1% m/m (Feb: +1.5% m/m), orders for computers & electronic products rose 0.7% m/m (Feb: -2.1% m/m) while those for electrical equipment were unchanged (Feb: -2.5% m/m). Accompanying data also showed that non-defense capital goods excluding aircraft, seen as a measure of business spending plans, edged up 0.1% m/m in March instead of rising 0.2% m/m as previously reported (Feb: +0.4% m/m).

- Trade deficit narrowed modestly to $69.4bn in March (Feb: -$69.5bn), as trade flows turned negative. Exports fell by 2.0% m/m, while imports slipped 1.6% m/m (Feb: +2.2% m/m and +2.3% m/m), with most of the weakness for the latter mostly tied to industrial supplies and automotive, while consumer goods imports have begun to recover.

Mixed data from Australia

- A mixed slew of data from Australia. Building approvals rebounded, albeit less than expected by +1.9% y/y in March (Feb: -0.9% y/y), while goods trade surplus unexpectedly narrowed to A$5.0bn in March (Feb: A$6.6bn) as import growth outpaced exports at +4.2% m/m and +0.1% m/m respectively (Feb: +4.4% m/m and -3.2% m/m). The still sluggish external demand rebound was primarily driven by other mineral fuels and while imports accelerated due to ADP equipment, a positive sign to capital goods investment going forward.

Japan's consumer confidence unexpectedly slipped

- In sign of still tepid economic recovery, consumer confidence unexpectedly worsened to 38.3 in April (Mar: 39.5). This marks the first contraction in 7 months, weighed down by declines in all sub-indices, especially willingness to buy durable goods, probably attributable to consumers expecting price expectations to increase in the year ahead (+0.6ppt to 93%).

Hong Kong's overshot expectations with a +2.3% q/q and +2.7% y/y growth

- Hong Kong's economy grew at a faster pace than expected at +2.7% y/y in 1Q (4Q: +4.3% y/y). 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, while exports of services and exports 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.
- Moving forward, the economy will continue to benefit from recent efforts to promote tourism in the capital, improved external demand although geopolitical tensions as well as a longer period of tight financial conditions may have some dampening effects on economic confidence and activities.

Singapore's PMI continued with its expansionary mode, albeit at a softer pace

- PMI dipped slightly by 0.2ppts to 50.5 in April, underpinned by subdued growth in new orders, new exports, factory output and input purchases. On the other hand, the employment index grew at a stronger pace, while the supplier deliveries index returned to expansion, in line with improved supply chain conditions. The Electronics PMI crept up 0.1ppts to 50.9 driven by higher demand for consumer electronics and products in the booming field of artificial intelligence, and thus should ease concerns over the slight dip in the headline.

House View and Forecasts

FX	This Week	2Q-24	3Q-24	4Q-24	1Q-25
DXY	104-107	103.44	102.41	101.38	100.37
EUR/USD	1.06-1.09	1.09	1.10	1.08	1.07
GBP/USD	1.24-1.27	1.27	1.28	1.27	1.25
USD/JPY	152-160	148	145	142	140
AUD/USD	0.64-0.67	0.66	0.67	0.67	0.68
USD/MYR	4.74-4.80	4.68	4.63	4.56	4.49
USD/SGD	1.34-1.37	1.34	1.32	1.31	1.30

Rates, %	Current	2Q-24	3Q-24	4Q-24	1Q-25
Fed	5.25-5.50	5.25-5.50	4.75-5.00	4.50-4.75	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
3-May	AU Home Loans Value MoM (Mar)	1.50%
	AU Household Spending YoY (Mar)	54.2
	SI Retail Sales SA MoM (Mar)	3.00%
	HK Retail Sales Value YoY (Mar)	1.90%
	UK S&P Global UK Services PMI (Apr F)	54.9
	EC Unemployment Rate (Mar)	6.50%
	US Change in Nonfarm Payrolls (Apr)	303k
	US Unemployment Rate (Apr)	3.80%
	US Average Hourly Earnings MoM (Apr)	0.30%
	US Average Weekly Hours All Employees (Apr)	34.4
	US S&P Global US Services PMI (Apr F)	50.9
	US ISM Services Index (Apr)	51.4
6-May	HK S&P Global Hong Kong PMI (Apr)	50.9
	SI S&P Global Singapore PMI (Apr)	55.7
	AU Melbourne Institute Inflation YoY (Apr)	3.80%
	CH Caixin China PMI Services (Apr)	52.7
	EC HCOB Eurozone Services PMI (Apr F)	52.9
	EC Sentix Investor Confidence (May)	-5.9
	EC PPI YoY (Mar)	-8.30%
6-17 May	EC EU Commission Economic Forecasts	

Source: Bloomberg

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