

6 May 2024

## Global Markets Research

### Daily Market Highlights

## 6 May: US headline nonfarm job gains surprised on the downside

**Weaker than expected headline US job data and ISM services revived rate cut bets US equities jumped; UST yields fell 6-7bps while DXY inched down closer to 105s Hong Kong and Singapore retail sales lost steam post-CNY seasonal spending**

- The three major US indices jumped sharply between 1.2-2.0% d/d on Friday after the softer-than-expected April job data boosted hopes that the Federal Reserve is on track for 1-2 rate cuts by the end of the year (according to futures pricing). The non-farm payroll (NFP) report showed only 175k job gains in April, below consensus forecast and a departure from the string of surprising strength in recent indicators. Strong quarterly reports from major corporates also contributed to Friday's rally. Apple shares surged on its buyback plan and on earnings beat, while Amgen shares rallied on positive update on its weight-loss drug.
- Similarly, European stocks closed in the green with consumer products, construction and technology stocks leading gains. Notable market movers were Société Générale, which retreated after reporting that a bad hedging decision will continue in 2Q, but Crédit Agricole rallied amidst a leap in net profit. Meanwhile, regional equity indices closed mixed, with Hang Seng leading gains. Shares of Apple suppliers were in focus and gained after the company reported higher-than-expected earnings.
- Treasury yields dropped following the US NFP, with the 10Y UST yield diving 7bps to 4.51%, while the 2Y fell 6bps to 4.82%. 10Y European bond yields also slid between 4-7bps.
- USD slumped, hit by the less than hawkish Powell, tame job reports and JPY intervention. DXY fell 0.3% d/d to 105.03, with all G10 currencies strengthening against the greenback save for the CAD. Similarly, all regional currencies also appreciated against the Dollar led by KRW, IDR and THB.
- Oil prices fell 0.9-1.1% d/d as investors were concerned over the weaker-than-expected US job data, which could weigh on demand for crude oil.

#### **Weaker job data in the US reaffirmed expectations of a rate cut this year; ISM-Services fell into contractionary zone**

- Job creation was weaker than expected, unemployment rate marginally higher and wage growth was more subdued than expected in the April employment report, suggesting that the impact from the tightened monetary policy may be finally trickling into the labour market. With ISM surveys of employment also weak (below 50) recently, these suggest that the labour will continue to cool going forward and US futures are now pricing in probability of 1-2 rate cuts by the end of the year.
- Gains in nonfarm payroll (NFP) slowed more than expected to +175k in April (Mar: +315k), two-month payroll was revised downwards by 22k while unemployment rate unexpectedly inched up to 3.9% (Mar: 3.8%). Hiring remained concentrated in healthcare and social assistance, as well as in transportation and warehousing, probably due to easing of the global supply

#### Key Market Metrics

	Level	d/d (%)
<b>Equities</b>		
Dow Jones	38,675.68	1.18
S&P 500	5,127.79	1.26
NASDAQ	16,156.33	1.99
Stoxx Eur 600	505.53	0.46
FTSE 100	8,213.49	0.51
Nikkei 225	38,236.07	-0.10
CSI 300	3,604.39	-0.54
Hang Seng	18,475.92	1.48
Straits Times	3,292.93	-0.12
KLCI 30	1,589.59	0.59
<b>FX</b>		
Dollar Index	105.03	-0.26
EUR/USD	1.0761	0.34
GBP/USD	1.2547	0.10
USD/JPY	153.05	-0.38
AUD/USD	0.6610	0.69
USD/CNH	7.1928	-0.19
USD/MYR	4.7385	-0.34
USD/SGD	1.3496	-0.39
<b>Commodities</b>		
WTI (\$/bbl)	78.11	-1.06
Brent (\$/bbl)	82.96	-0.85
Gold (\$/oz)	2,308.60	-0.04
Copper (\$\$/MT)	9,910.00	1.48
Aluminum(\$/MT)	2,551.50	0.93
CPO (RM/tonne)	3,873.00	0.35

Source: Bloomberg, HLBB Global Markets Research  
\* Dated as of 2 May for CPO, 30 April for CSI 300

chain, while local and state government as well as the information sector saw a sharp decline in hiring. Both average hourly earnings and weekly hours worked also unexpectedly slowed to +0.2% m/m and 34.3 hours respectively (Mar: +0.3% m/m and 34.4 hours).

- April's ISM Services Index, meanwhile, unexpectedly fell into contractionary territory (49.4 vs 51.4) for the first time since December 2022 with inflation and geopolitical risks remained the primary concerns. The decline was driven by slower new orders growth, faster supplier deliveries and continued contraction in employment, the latter plagued by difficulties in backfilling positions and/or controlling labor expenses.

#### **S&P Services PMIs remained in expansionary zone for the US and UK**

- Although the final US Services PMI was revised upwards by 0.4ppts to 51.3 in April (Mar: 51.7), the index at this level pointed to modest growth and one that was the slowest since last November. Demand has weakened, as signalled by the first fall in new orders for goods in six months, while employment also fell for the first time in 46 months as firms showed a reluctance to replace staff. On a positive note, prices charged registered one of the smallest increases seen over the past four years.
- The final UK Services PMI was revised upwards by 0.1ppts to 55.0 in April (Mar: 53.1). This marks the fastest expansion since May 2023 with firms attributing this to higher sales from improving client confidence and signs of a turnaround in underlying economic conditions. That said, the rate of job creation was the lowest in 2024 and higher wages, partly driven by a rise in the National Living Wage, resulted in the sharpest overall increase in input costs since August 2023.

#### **Stable unemployment rate in the Eurozone**

- Matching expectations, the Eurozone unemployment rate held steady at 6.5% y/y in March and was stable or improving for its biggest economies. Amidst still strong wage growth in the bloc, this is supportive of a gradual pick-up for consumer spending going forward.

#### **Australia's home loans unexpectedly picked up**

- Lending to home loans unexpectedly accelerated to +3.1% y/y in March (Feb: +1.9% y/y), not only reflecting increase in terms of volume but also because of loan size, the latter in line with rising house prices over the same period.

#### **Hong Kong's retail sales undershot expectations significantly**

- Retail sales came significantly worse than expected, contracting 7.0% y/y in March (Feb: +1.9% y/y), partly due to a high base of effect for tourist spending. As such, further revival of inbound tourism, rising household income, Government's efforts to promote a mega event economy and improved sentiment should continue to support consumption going forward.

#### **Singapore's retail sales moderated post-CNY**

- Retail sales came a shade lower than expected, moderating to +2.7% y/y in March (Feb: +8.6% y/y) and marking a normalisation from February's CNY spending. Ten of the fourteen categories recorded y/y growth, with robust demand observed for food & alcohol, watches & jewellery as well as motor vehicles, the latter due to increased COE quota.

### House View and Forecasts

FX	This Week	2Q-24	3Q-24	4Q-24	1Q-25
DXY	103-107	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	150-156	148	145	142	140
AUD/USD	0.64-0.67	0.66	0.67	0.67	0.68
USD/MYR	4.71-4.78	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
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	
7-May	US Senior Loan Officer Opinion Survey on Bank Lending Practices	
	JN Jibun Bank Japan PMI Services (Apr F)	54.6
	AU Retail Sales Ex Inflation QoQ (1Q)	0.30%
	AU RBA Cash Rate Target	4.35%
	EC Retail Sales MoM (Mar)	-0.50%

Source: Bloomberg

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