

14 May 2024

**Global Markets Research**
**Daily Market Highlights**

## 14 May: Inflation expectations ticked up in countdown to US CPI

**Echoing Uni Michigan, NY Fed inflation expectations ticked up for the short and longer-term Treasuries pared gains to close rather flat; DXY narrowed losses to close only marginally lower China will start selling its first batch of 1 trillion ultra-long special sovereign bond this Friday**

- The Dow Jones snapped its eight-day winning streak, as traders grappled with rising inflation expectations ahead of key price prints due later in the week. The 30-stock Dow slipped 0.2% d/d, the S&P 500 closed below the flatline but Nasdaq added 0.3% d/d. Data overnight from the New York Fed showed consumers raised their CPI expectations for both the near and long term, mirroring Michigan Sentiment recently, putting pressure on the major averages and weighed on stocks. Meanwhile, shares of GameStop and AMC soared more than 70% d/d each after "Roaring Kitty," the moniker of Keith Gill posted online for the first time in three years.
- Elsewhere, both the Asian and European markets closed mixed, as investors turned their focus to the upcoming CPI prints. Stoxx Eur 600 little changed, with autos and health care leading gains while construction and utilities were laggards. In corporate earnings, both Diploma Plc and Almirall SA shares rallied on their outlook and sales beat. Today, Asian markets are set for a cautious open as US CPI looms.
- Treasuries pared gains across the curve after the NY Fed survey and closed the day little changed. The 2Y and 10Y UST yields closed lower between 0-1bps to 4.86% and 4.49% respectively. 10Y European bond yields closed mixed between -4 to +3bps.
- In the forex market, DXY closed little changed (-0.1% d/d at 105.22), paring earlier losses after the NY Fed survey. G10 and regional currencies closed mixed against the Dollar. Treasury Secretary Janet Yellen said that yuan, euro and yen are currencies she monitors and reiterated her discomfort with government intervention. GBP, EUR and DKK led gains against greenback (+0.2 to +0.3% d/d), while NZD, CHF and JPY were laggards (-0.1 to -0.3% d/d). On the regional front, MYR and SGD appreciated 0.1-0.2% d/d/ against the Dollar to 4.7295 and 1.3535 respectively, while CNH depreciated slightly by 0.1% d/d to 7.2397.
- Oil edged higher between 0.7-1.1% d/d on signs of potential supply disruptions in Western Canada due to wildfire, and optimism over demand from China, the latter after its CPI rose for the third month and after its Ministry of Finance plans to raise 1 trillion yuan via bond sale to stimulate the economy.

### NY Fed inflation expectations rose for the short and longer-term horizons

- The second set of upticks in inflation expectations in the US. The New York Fed's 1Y inflation expectations to 3.3% in April (Mar: 3.0%), its highest since November. They also increased to 2.8% at the 5Y horizon, but decreased to 2.8% for the 3Y horizon (Mar: 2.6% and 2.9%).

**Key Market Metrics**

	Level	d/d (%)
<b>Equities</b>		
Dow Jones	39,431.51	-0.21
S&P 500	5,221.42	-0.02
NASDAQ	16,388.24	0.29
Stoxx Eur 600	520.86	0.02
FTSE 100	8,414.99	-0.22
Nikkei 225	38,179.46	-0.13
CSI 300	3,664.69	-0.04
Hang Seng	19,115.06	0.80
Straits Times	3,303.66	0.39
KLCI 30	1,602.91	0.14
<b>FX</b>		
Dollar Index	105.22	-0.08
EUR/USD	1.0790	0.18
GBP/USD	1.2559	0.27
USD/JPY	156.22	0.28
AUD/USD	0.6608	0.06
USD/CNH	7.2397	0.08
USD/MYR	4.7295	-0.22
USD/SGD	1.3535	-0.08
<b>Commodities</b>		
WTI (\$/bbl)	79.12	1.10
Brent (\$/bbl)	83.36	0.69
Gold (\$/oz)	2,343.00	-1.35
Copper (\$\$/MT)	10,185.50	1.81
Aluminum(\$/MT)	2,542.00	0.49
CPO (RM/tonne)	3,854.50	-1.13

Source: Bloomberg, HLBB Global Markets Research  
\* Dated as of 10 May for CPO

### Australia's household spending intentions, business conditions fell

- The NAB Business Conditions index fell 2 points to +7 in April, with all three sub-components now back around their long-run average, while confidence remained steady albeit below average (+1). The decline in the employment index back to its average levels at +2 is perhaps the most notable shift, suggesting a normalisation in the labour market. Forward orders fell, driven by large movements in mining, manufacturing and construction, and remains negative in retail and wholesale. Overall, these signal slowing activity and easing costs in 2Q.
- In terms of household spending intentions, the CBA Household Spending index declined 1.0% m/m in April (Mar: +0.4% m/m) and is now down 1.1% from its peak in January 2024, suggesting that spending has weakened over the first four months of the year. Eight of the 12 categories rose, led by utilities, education and motor vehicles, but this was offset by large falls in food & beverages, hospitality, recreation and transport.

### Japan's PPI picked up slightly on a m/m basis, held steady y/y

- Producer prices (PPI) held steady at +0.9% y/y in April, but picked up slightly on a m/m basis to +0.3% m/m (Mar: +0.2% m/m). This marks the first acceleration in 3 months, with broad based increases observed save chemicals, beverages & food as well as utilities, and were driven by nonferrous metals as well as petroleum & coal products, largely in line with higher commodity prices recorded global for the month of April.

### China to sell 20Y, 30Y and 50Y special bonds

- The Ministry of Finance said that it will start selling the first batch of its 1 trillion yuan of ultra-long special sovereign bonds on Friday, as it seeks to raise funds to support growth. Accordingly, the central bank will begin to issue some 30Y bonds on May 17, the 20Y and 50Y on May 24 and June 14 respectively, and the final batch of 30Y bonds in November.
- The planned sales, first unveiled during the National People's Congress in March, comes as data showed aggregate financing shrank for the first time since 2005 (Apr: -199bn yuan vs Mar: +4.9tn yuan) and will help speed up fiscal spending to support growth. As it is, household funding was a drag, while government and corporate funding via shadow-banking channels and bonds were weak.

### House View and Forecasts

FX	This Week	2Q-24	3Q-24	4Q-24	1Q-25
DXY	103-107	105.43	105.56	103.45	101.38
EUR/USD	1.06-1.09	1.06	1.05	1.06	1.06
GBP/USD	1.23-1.27	1.24	1.22	1.23	1.24
USD/JPY	153-157	152	149	146	143
AUD/USD	0.65-0.67	0.65	0.65	0.65	0.66
USD/MYR	4.71-4.76	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	4.50	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
14-May	UK Average Weekly Earnings 3M/YoY (Mar)	5.60%
	UK ILO Unemployment Rate 3Mths (Mar)	4.20%
	EC ZEW Survey Expectations (May)	43.9
	US NFIB Small Business Optimism (Apr)	88.5
	US PPI Final Demand YoY (Apr)	2.10%
15-May	CH 1-Yr Medium-Term Lending Facility Rate	2.50%
	AU Wage Price Index QoQ (1Q)	0.90%
	EC GDP SA QoQ (1Q P)	0.30%
	EC Employment QoQ (1Q P)	0.30%
	EC EU Commission Economic Forecasts	
	US MBA Mortgage Applications	2.60%
	US Empire Manufacturing (May)	-14.3
	US CPI Ex Food and Energy YoY (Apr)	3.80%
	US Real Avg Weekly Earnings YoY (Apr)	0.60%
	US Retail Sales Advance MoM (Apr)	0.70%
	US NAHB Housing Market Index (May)	51

Source: Bloomberg

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