

8 May 2024

## Global Markets Research

### Daily Market Highlights

## 8 May: RBA paused and stayed neutral

**Fed Kashkari expects the Fed to hold rates for an extended period; sending DXY higher  
US consumer credit pulled back sharply; Eurozone retail sales jumped the most since Jan-23  
RBA said inflation is declining more slowly than expected; downgraded 2024 growth forecast**

- The Dow and S&P 500 eked out small gains of around 0.1%, while Nasdaq slipped 0.1% d/d as another set of earnings rolled in on Tuesday. Gains were kept in check as Disney shares tumbled 9.5% after streaming subscriber miss, while shares of defense technology firm Palantir plunged 15.1% d/d after reporting a sharp slowdown for its US commercial business. Tesla shares also retreated 3.8% d/d after the federal regulator requested data on its Autopilot system.
- Elsewhere, strong corporate earnings, especially from financial services, pushed European stocks into the green. Stoxx 600 gained 1.2% d/d after Swiss banking giant UBS beat street estimates and returned to a quarterly net profit after two successive losses. The stock ended the day 7.6% d/d higher. Italian bank UniCredit also reported stronger than expected earnings, and shares closed 3.6% d/d higher. Shares in BP dropped 1.3% d/d, however, following the oil major's results. Asian markets, meanwhile closed mixed and are set for a mixed open today following the futures as well as a sluggish US session.
- Bullish tone following Fed Chair Jerome Powell's comment no rate hike extended for another day in the Treasuries market, sending yields down between 0-4bps across the curve. The 2Y closed flat at 4.83% while the 10Y slid 3bps to 4.46%. European bonds outperformed again on expectations of a ECB rate cut in June, sending 10Y sovereign yields down between 3-10bps.
- USD strengthened broadly against its G10 after Fed President Keel Kashkari's comments that he expects Fed to hold rates for an extended period. Consequently, DXY jumped 0.3% d/d to 105.41. AUD depreciated 0.5% d/d against greenback after the RBA maintained its cash rate and struck a neutral tone. JPY and GBP weakened by 0.5% d/d and 0.4% d/d respectively, the latter ahead of the BOE meeting, while EUR slipped 0.1% d/d. ECB's Joachim Nagel said that geopolitical and decarbonisation could keep consumer prices elevated in the years ahead. Regional currencies, meanwhile, also weakened against the Dollar, save for the KRW and MYR.
- Oil prices slid between 0.1-0.2% d/d despite elevated geopolitical tension in the Middle East. As it is, oil prices have largely been on a down trend since April, a sign that the physical market is amply supplied. The Russian Deputy Prime Minister said that the OPEC+ cartel is considering the possibility of increasing oil output before its next meeting in June.

**RBA maintained cash rate target at 4.35%, inflation is declining more slowly than expected**

- As widely expected, the Reserve Bank of Australia (RBA) left the cash rate target unchanged at 4.35%. Key highlights from the accompanying statement includes: 1) The statement stuck to a neutral stance, with forward

#### Key Market Metrics

	Level	d/d (%)
<b>Equities</b>		
Dow Jones	38,884.26	0.08
S&P 500	5,187.70	0.13
NASDAQ	16,332.56	-0.10
Stoxx Eur 600	514.02	1.14
FTSE 100	8,313.67	1.22
Nikkei 225	38,835.10	1.57
CSI 300	3,659.01	0.03
Hang Seng	18,479.37	-0.53
Straits Times	3,300.04	-0.10
KLCI 30	1,605.68	0.52
<b>FX</b>		
Dollar Index	105.41	0.34
EUR/USD	1.0755	-0.13
GBP/USD	1.2509	-0.42
USD/JPY	154.69	0.50
AUD/USD	0.6598	-0.41
USD/CNH	7.2253	0.15
USD/MYR	4.7387	-0.01
USD/SGD	1.3545	0.24
<b>Commodities</b>		
WTI (\$/bbl)	78.38	-0.13
Brent (\$/bbl)	83.16	-0.20
Gold (\$/oz)	2,324.20	-0.30
Copper (\$\$/MT)	10,029.50	1.21
Aluminum(\$/MT)	2,569.50	0.70
CPO (RM/tonne)	3,903.00	0.32

Source: Bloomberg, HLBB Global Markets Research  
\* Dated as of 6 May for CPO

guidance saying that “the Board is not ruling anything in or out” any changes in policy rate. 2) The statement focused largely on inflation challenges, stemming from continuing excess demand in the economy as well as strong domestic cost pressures for labour and non-labour inputs. Specifically, the statement highlighted that ***inflation is declining more slowly than expected*** due to services. 3) RBA is expecting inflation to return to the target range of 2–3% in the 2H of 2025, and to the midpoint in 2026. 4) The near-term downgrade to GDP (Dec 2024: -0.2ppts to +1.6%) reflects a softer near-term outlook for household consumption and dwelling investment. 5) RBA’s forecasts incorporated several assumptions, specifically, that the cash rate remains around its current level until mid-2025 before declining to around 3.8% by the middle of 2026.

#### **A sharp pullback in consumer credit in the US due to credit card balances**

- In line with the latest senior loan officer survey, net consumer credit slowed sharply to +\$6.3bn in March (Feb: \$15.0bn) as demand for consumer loans was tempered by higher borrowing costs and amidst tightened lending credit standards by financial institutions. Revolving credit, which includes credit cards rose a mere \$0.2bn (Feb: +\$10.7bn), the smallest increase in 3 years while non-revolving credit, which includes vehicle purchases and school tuition, increased \$6.1bn (Feb: +\$4.3).
- While the sharp pullback in credit card balances could potentially raise concerns on consumer spending going forward, we view this positively as, if sustained, reflects healthy household finances as consumers have largely been tapping on this, as well as savings, to fund their purchases recently. The delinquency rate, meanwhile, has remained low at this juncture but has been rising (Delinquency rate on consumer loans for commercial banks: 2.62% in 4Q vs 2.52% in 3Q).

#### **Eurozone recorded its strongest retail sales spending since early 2023**

- Underpinned by strong wage growth and Easter spending, March’s retail sales rebounded more than expected and registered its highest increase since January 2023 by +0.8% m/m (Feb: -0.3% m/m). The latest data is an early promising sign of recovery in household consumption for the bloc, especially since its biggest economies like Germany (+0.2% m/m vs -2.3% m/m) and France (+2.2% m/m vs +1.3% m/m) registered growths in their spending. By product, sales were driven by food, drinks, and tobacco as well as automotive fuel, the latter in line with higher crude oil prices.

#### **Japan’s Services PMI revised downwards but still robust**

- The final Jibun Bank Japan Services PMI was revised downwards 0.3ppts to 54.3 in April (Mar: 54.1). April data pointed to robust business activity amidst a backdrop of strengthening demand from both businesses and consumers, as well as a supportive economic backdrop. Consequently, prices charged inflation also picked up to its steepest since the sales tax hike in April 2014.

#### **House View and Forecasts**

<b>FX</b>	<b>This Week</b>	<b>2Q-24</b>	<b>3Q-24</b>	<b>4Q-24</b>	<b>1Q-25</b>
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	1.24-1.27	1.24	1.22	1.23	1.24
USD/JPY	150-156	152	149	146	143
AUD/USD	0.64-0.67	0.65	0.65	0.65	0.66

USD/MYR	4.71-4.78	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
8-May	MA Foreign Reserves	\$113.4b
	US MBA Mortgage Applications	-2.30%
9-May	JN Labor Cash Earnings YoY (Mar)	1.80%
	JN Leading Index CI (Mar P)	111.8
	MA BNM Overnight Policy Rate	3.00%
	UK Bank of England Bank Rate	5.25%
	US Initial Jobless Claims	208k
	UK DMP 1 Year CPI Expectations (Apr)	3.20%
	CH Exports YoY (Apr)	-7.50%
9-15 May	CH Aggregate Financing CNY YTD (Apr)	12930.0b

Source: Bloomberg

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