Weekly Market Report For : 18 - 22 March 2024

Overview

Global stock rallied as investors continued to celebrate the Fed's signals it will not slow rate cuts.

Equity market

- Most major markets rallied after the Fed said it was on track for three rate cuts this year and added that solid economic growth would continue, while the Swiss National Bank became the first major central bank to ease policy in this cycle. US and European shares hit fresh record-high levels, as dovish signals from a slew of major central banks spurred a risk-on mood among investors, before edging down on the last trading day in a move attributed to profit-taking. Japan's Nikkei closed at new high after the BOJ's first rate hike since 2007 as the central bank governor reiterated that policy would remain broadly accommodative. Most emerging Asian assets rallied after the Fed's projections raised hope for the regional central banks to begin considering monetary easing. Chinese stocks fell due to concerns over weak earnings and continued headwinds facing the country's property sector.

- SET Index fell from the previous week. Electronics and Banking sector closed higher, while Commerce, Energy and Transportation closed led the index down. Local investors and institutional were net buyers while foreign investors were net sellers. Oil prices settled lower, pressured by weaker US gasoline demand data and reports of a United Nations draft resolution calling for a ceasefire in Gaza.

Fixed income market

- Global bond rallied after the Fed Chair Jerome Powell said recent high inflation readings had not changed the underlying "story" of slowly easing price pressures as the central bank stayed on track for three interest rate cuts this year and affirmed that solid economic growth will continue. Moreover, Switzerland became the first developed economy to cut interest rates this cycle, underscoring investors' view that global rate cuts are coming soon.

Regional Economic Infomation

U.S.

- The Federal Reserve (Fed) maintained its policy rates in a range of 5.25%-5.50% as expected. The committee saw the central bank would cut rates 3 times by year's end, unchanged from its previous assessment. In addition, officials upgraded their outlook for the economy this year to 2.1% from the 1.4% forecasted earlier, and revised their inflation outlook to 2.6% this year from 2.4%.

- Housing starts increased by 10.7% m/m to an annualized rate of 1.521 million units in February, while building permits edged up 1.9% to 1.518 million units. Existing home sales rose 9.5% m/m to an annualized rate of 4.38 million units.

- Initial jobless claims decreased by 2,000 to 210,000 in the week ended March 16.

Europe

- Euro zone preliminary composite purchasing managers' index (PMI) advanced to 49.9 in March from 49.2 in February as manufacturing PMI plunged to 45.7 from 46.5 while service PMI jumped to 51.1 from 50.2.

- Euro zone exports grew 1.3% y/y in January, led by chemicals, machinery and vehicles. In contrast, imports plunged 16.1%, dragged by energy. The trade account showed a surplus of EUR11.4 billion.

- German business climate indicator jumped to 87.8 in March from 85.5 in February and beating market forecasts of 86.0, boosted by hopes on the ECB rate cuts and a gradual easing of inflationary pressures.

- The BOE voted 8 to 1 to keep its benchmark policy rate at 5.25%. One member voted for a 0.25% cut. UK headline inflation grew 3.4% y/y in February, easing from 4.0% in January and below market projection of 3.5%. Core inflation slowed to 4.5% from 5.1% in the prior month and lower than market estimates of 4.6%.

Asia

- The BOJ raised its policy rate to 0% from -0.1% as expected, ending its 8 years of negative interest rate and marking the first rate hike in 17 years. The central bank also scrapped its yield curve control for 10-year government bonds and reduce the pace of corporate bond buying. The central bank emphasized that monetary policy would remain easy. Japan exports rose 7.8% y/y in February, marking the third straight month of increase, following a 11.9% growth in January and exceeding market estimates of a 5.3% gain, as shipments of cars continued to expand. Imports inched up 0.5% after a 9.8% fall in the previous month and well below market forecasts of a 2.2% increase. The trade deficit was at JPY379 billion. Japan core inflation, which excludes fresh food but includes energy costs, grew 2.8% y/y in February, matching expectation, following a 2.0% gain in January. Core-core inflation, which excludes both fresh food and energy costs, rose 3.2% y/y, compared with a 3.5% increase in a month earlier. The flash composite PMI rose to 52.3 in March from 50.6 in February as manufacturing PMI rose to 48.2 from 47.2 and service PMI accelerated to 54.9 from 52.9. Japan core machinery orders fell by 1.7% m/m in January, following a 1.9% growth in December and missing market estimates of a 1.0% decline, as orders from manufacturing sector fell while the non-manufacturing sector showed an increase.

- The PBOC maintained its 1-year loan prime rate (LPR) at 3.45% and 5-year LPR at 3.95% as expected. China retail sales rose 5.5% y/y in the January – February period, slowing from a 7.4% increase in December, but beating market forecasts of a 5.2% growth. Industrial output rose 7.0% in the first two months of the year after a 6.8% growth seen in December, well above expectations for a 5.0% increase an marking the quickest growth in almost 2 years. Fixed asset investment expanded 4.2% y/y in the first two months, compared with expectations for a 3.2% rise, after it grew by 3.0% in the whole of 2023. Unemployment rate advanced to 5.3% in January – February, the highest reading since last July, from 5.1% in December. The government has targeted a jobless rate of 5.5% in 2024.

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