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Global Markets Research

Daily Market Highlights

1 Nov: Cautiousness ahead of central bank meets

US stocks and UST fell; dollar index regained lost ground

Eurozone GDP growth slowed in 3Q; inflation quickened to a record 10.7%

Hong Kong 3Q GDP contracted more than expected by 4.5% y/y

- Stocks slipped on Monday, but the Dow still capped off one of its best months. The Dow Jones Industrial Average fell 0.4%, the S&P 500 shed 0.8% while the Nasdaq Composite tumbled 1.0% d/d. The pan-European Stoxx 600 nudged 0.4% d/d higher as investors shrugged off the Eurozone GDP and inflation data. Shares in Asia-Pacific were mostly higher with the exception of Chinese stocks. Hang Seng fell 1.2% d/d, while Nikkei 225, Straits Times and KLCI gained 1.8%, 1.1% and 0.9% d/d respectively.
 - Treasury yields rose as markets looked ahead to the Federal Reserve's November meeting beginning tonight. The 10-year Treasury yield was up by 4bps to 4.05%. The yield on the policy-sensitive 2-year Treasury rose by 7bps. to 4.48%. Markets are also hoping to gain some clarity regarding the Federal Reserve's future policy pathway from the meeting, as questions remain over how high rates will be hiked in late 2022 and throughout 2023. There are concerns that rate hikes are dragging the U.S. economy into a recession, and economic data has been sending mixed signals about inflation.
 - The dollar regained some ground it lost earlier in the month, with the Dollar Index up 0.7% d/d to 111.53. The EUR depreciated 0.8% d/d to 0.9882 and sterling lost 1.3% d/d to 1.1469. Over in Asia, the dollar appreciated 0.8% against the Japanese yen to 148.71 and 1.0% d/d against Renminbi. Ringgit was largely unchanged against the US Dollar at 4.7267 as investors preferred to stay on the sideline ahead of BNM OPR decision on Thursday.
 - Gold edged lower heading for its longest streak of monthly losses on record as a stronger dollar, elevated U.S. bond yields and prospects for more rate hikes from the Federal Reserve dented the non-yielding metal's appeal. Gold slipped 0.3% d/d. Brent and the West Texas Intermediate (WTI), meanwhile, fell 1.0% d/d and 1.6% d/d on expectations that U.S. production could rise even as weaker economic data out of China and the country's widening COVID-19 curbs weighed on demand.
- US manufacturing output signalled weakening growth**
- The Texas Manufacturing Outlook Survey's production index edged down 3 points to 6.0, suggesting a slight deceleration in output growth. The new orders index slipped to -8.8, its fifth month in a row in negative territory suggesting a continued decrease in demand. More importantly, expectations regarding future manufacturing activity were mixed, with the

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	32,732.95	-0.39
S&P 500	3,871.98	-0.75
NASDAQ	10,988.15	-1.03
Stoxx Eur 600	412.20	0.35
FTSE 100	7,094.53	0.66
Nikkei 225	27,587.46	1.78
Hang Seng	14,687.02	-1.18
Straits Times	3,093.11	1.11
KLCI 30	1,460.38	0.90
FX		
Dollar Index	111.53	0.70
EUR/USD	0.9882	-0.83
GBP/USD	1.1469	-1.26
USD/JPY	148.71	0.75
AUD/USD	0.6399	-0.19
USD/CNH	7.3363	0.95
USD/MYR	4.7267	0.04
USD/SGD	1.4165	0.40
Commodities		
WTI (\$/bbl)	86.53	-1.56
Brent (\$/bbl)	94.83	-0.98
Gold (\$/oz)	1,640.70	-0.25
Copper (\$\$/MT)	7,550.00	-2.76
Aluminum(\$/MT)	2,211.50	-3.32
CPO (RM/tonne)	3,963.00	0.18

Source: Bloomberg, HLBB Global Markets Research

Note: copper and aluminium closing as at 28-Oct

future general business activity index remained negative and largely unchanged at -21.2.

- The Chicago Business Barometer dipped a further half-point to 45.2 in October, contracting for a second consecutive month. After the across-the-board September plunge, most indicators saw marginal improvements in October, whilst new orders and supplier deliveries slipped further. Order backlogs and employment recorded stronger upticks, albeit remaining in contraction.

Euro inflation shot up to +10.7% y/y, GDP growth decelerated to +0.2% q/q

- Preliminary flash GDP for the eurozone increased by 0.2% q/q in 3Q, markedly slower than +0.8% q/q in 2Q but was above consensus estimate's +0.1% q/q. On a y/y basis, 2Q GDP growth was also slower but matched consensus at +2.1%. GDP halving from the 4.1% y/y expansion in 2Q.
- Inflation came in at +10.7% y/y in October, the highest ever monthly reading since the euro zone's formation and was above expectation for a 10.3% y/y increase. Energy costs expected to have had the highest annual rise in October, at 41.9% from 40.7% in September. Food, alcohol and tobacco prices also climbed in the same period, jumping 13.1% from 11.8% in the previous month.

UK lending point to cooling economy

- Lending to British consumers rose by less than expected in September and the number of mortgages approved by British lenders eased back. The Bank of England (BOE) reported that net unsecured consumer credit rose by £745m in September, the smallest monthly increase since December 2021, following a £1.2bn increase in August. Mortgage approvals totalled 66,789 last month, down from 74,422 in August

Japan output fell for the first time in four months

- Japan's factory output fell in September for the first time in four months as manufacturers took a hit from rising costs for raw materials and the global economic slowdown. Japan's factory output fell 1.6% m/m in September (August: +3.4% m/m) slightly more than the median market forecast for a 0.8% decline. While shipments also fell 2.4% m/m, inventories and inventory ratio increased, albeit at a slower pace of 3.0% m/m and 5.1% m/m respectively. In terms of output, industries that mainly contributed to the decrease were motor vehicles, inorganic and organic chemicals as well as production machinery. Moving forward, production is expected to decrease in October before rebounding and increase in November.
- Japanese retail sales rose 4.5% y/y in September, growing for a seventh straight month and beating consensus estimate's +4.1% y/y gain. On a m/m basis, sales were up 0.8% m/m, a rebound from -0.1% m/m previously in line with the opening of the economy. This is reflected in the consumption pattern where sales of food and beverages as well as apparel and accessories shot up by 6.6% m/m (August: -0.1% m/m) and +10.5% (August: -0.4% y/y) respectively.
- The Consumer Confidence Index edged down 0.9ppts to 29.9 in October, as decline were seen across board. Overall livelihood fell 1.7 to 27.3, income growth -0.1 to 35.3, employment -1.1 to 34.3 and willingness to buy durable goods -0.7 to 22.5. In terms of price expectations a year ahead, the percentage of a group who expect "Go up" in October rose 0.3ppts to

94.3%.

- Housing starts contracted 5.1% m/m to 856,692 in September, a significant drop from +9.4% m/m the previous month. On a y/y basis, growth in starts also decelerated to 1.0% y/y from +4.6% y/y.

Chinese manufacturing activity shrank in October

- Chinese manufacturing activity unexpectedly shrank in October amid new disruptions from COVID-related lockdowns and a slowdown in global demand for exports from the country. The official purchasing managers index (PMI) read at 49.2, missing expectations of 49.8 and also falling below September's reading of 50.1. China's non-manufacturing PMI also contracted in October, reading 48.7 for the month, substantially below expectations of 50.1 and September's reading of 50.6. This resulted in China's composite PMI, which gauges overall business activity in the country, reading 49.0 for October, its first contraction since May.

Hong Kong GDP contracted 4.5% y/y

- Hong Kong economy showed a surprisingly bigger 4.5% y/y contraction in 3Q (2Q: -1.3%), as the worsened external environment and continued disruptions to cross-boundary land cargo flows dealt a serious blow to Hong Kong's exports. Consensus had estimated the economy to improve slightly to -0.8% y/y. On a q/q basis, real GDP fell by 2.6%, having increased by 1.0% in the preceding quarter. Private consumption expenditure remained virtually unchanged while exports of goods recorded a bigger decline of 15.5% y/y (2Q: -8.4% y/y).

Australia retail sales growth remained resilient at +0.6% m/m

- Australian retail sales posted another solid increase of 0.6% m/m in September. That was slightly below market forecasts of 0.5% m/m and left sales up a huge 17.9% y/y when pandemic restrictions were still in place. The month's rise was again driven by food retailing, which rose 1.0% m/m as well as cafes, restaurants, and takeaway food services which rose 1.3% m/m. Clothing, footwear and personal accessory retailing had the largest percentage rise, up 2.0% m/m. Many retailers remained open for the National Day of Mourning, an additional one-off public holiday in September, and this boosted spending on food, alcohol and dining out.
- Total private sector credit in Australia was up 0.7% m/m in September, slowing from 0.8% m/m in August. On a y/y basis, credit growth jumped 9.4%, accelerating from 9.3% previously. Housing credit rose 0.5% m/m and 7.3% y/y, while personal credit was flat on month and up 0.1% y/y. Business credit jumped 1.3% m/m and gained 14.7% y/y.
- Australia's monthly inflation gauge from the Melbourne Institute of Applied Economic and Social Research showed that inflation rate decelerated m/m to +0.4% m/m (+0.5% m/m) but was up 5.2% y/y, slightly higher than the previous month's 5.0% y/y.

Net financing growth moderated in Malaysia

- Net financing grew by 5.6% y/y as at end-September (August: +6.1% y/y), reflecting lower growth in both outstanding loans (+6.4% y/y vs August: +6.8% y/y) and corporate bonds (+3.5% y/y vs August: +4.3% y/y). Growth in outstanding household loans remained unchanged at 6.6% y/y, reflecting steady growth across most purposes. For businesses, growth in outstanding loans declined to 5.2% y/y (August: +6.8% y/y), partly due to a higher base

effect. Asset quality in the banking system remained intact, with overall gross and net impaired loans ratios remained broadly stable at 1.82% (Aug-22: 1.84%) and 1.12% (Aug-22: 1.13%), respectively. Loan loss coverage ratio (including regulatory reserves) remains at a prudent level of 115.2% of impaired loans, with total provisions accounting for 1.8% of total loans.

House View and Forecasts

FX	This Week	4Q-22	1Q-23	2Q-23	3Q-23
DXY	108-113	115.00	112.70	110.45	110.00
EUR/USD	0.98-1.03	0.95	0.97	0.98	0.98
GBP/USD	1.13-1.18	1.10	1.10	1.11	1.12
USD/JPY	140-148	147.00	146.00	145.00	144.00
AUD/USD	0.63-0.66	0.62	0.63	0.64	0.64
USD/MYR	4.63-4.74	4.68	4.64	4.62	4.60
USD/SGD	1.40-1.42	1.45	1.44	1.42	1.40

Rates, %	Current	4Q-22	1Q-23	2Q-23	3Q-23
Fed	3.00-3.25	4.25-4.50	4.25-4.50	4.25-4.50	4.25-4.50
ECB	2.00	2.75	2.75	2.75	2.75
BOE	2.25	3.25	3.25	3.25	3.25
BOJ	-0.10	-0.10	-0.10	-0.10	-0.10
RBA	2.60	3.10	3.10	3.10	3.10
BNM	2.50	2.75	3.00	3.00	3.00

Source: HLBB Global Markets Research

Up Next

Date	Events	Prior
1-Nov	AU CoreLogic House Px MoM (Oct)	-1.40%
	NZ Building Permits MoM (Sep)	-1.60%
	AU S&P Global Australia PMI Mfg (Oct F)	52.8
	MA S&P Global Malaysia PMI Mfg (Oct)	49.1
	VN S&P Global Vietnam PMI Mfg (Oct)	52.5
	JN Jibun Bank Japan PMI Mfg (Oct F)	50.7
	CH Caixin China PMI Mfg (Oct)	48.1
	AU RBA Cash Rate Target	2.60%
	HK Retail Sales Value YoY (Sep)	-0.10%
	UK S&P Global/CIPS UK Manufacturing PMI (Oct F)	45.8
	US S&P Global US Manufacturing PMI (Oct F)	49.9
	US JOLTS Job Openings (Sep)	10053k
	US Construction Spending MoM (Sep)	-0.70%
	US ISM Manufacturing (Oct)	50.9
2-Nov	NZ CoreLogic House Prices YoY (Oct)	2.80%
	NZ Average Hourly Earnings QoQ (3Q)	2.30%
	NZ Unemployment Rate (3Q)	3.30%
	AU Private Sector Houses MoM (Sep)	4.10%
	AU Home Loans Value MoM (Sep)	-3.40%
	EC S&P Global Eurozone Manufacturing PMI (Oct F)	46.6
	US MBA Mortgage Applications	-1.70%
	US ADP Employment Change (Oct)	208k
	SI Purchasing Managers Index (Oct)	49.9

Source: Bloomberg

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