

Global Markets Research
Daily Market Highlights

2 Dec: Dow Jones relinquished gains ahead of NFP

Softer gain in US core-PCE reaffirmed the case for smaller Fed rate hike this month

DXY broke below the 105-threshold; weakened against all G10s save for CAD

Broad contraction in PMI manufacturing signalled overall weakness globally

- The Dow Jones Industrial Average fell 0.6% d/d, relinquishing some of the big gains seen in the prior session as investors awaited jobs data due tonight that could determine the pace of the Federal Reserve's future rate tightening. The S&P 500 was down 0.1% d/d, while the Nasdaq Composite gained 0.1% d/d. Shares of Salesforce tumbled more than 8.0%, helping to drag down the Dow, after the software company said its co-CEO would be stepping down soon. Costco shares dropped more than 6.0% after comparable sales disappoint, an ominous sign during the peak holiday selling season.

Markets in the Europe and Asia-Pacific mostly traded higher earlier, carrying on the optimism behind Wall Street's rally as Federal Reserve Chair Jerome Powell confirmed smaller rate hikes could start in December. Stoxx 600 gained 0.9% d/d, FTSE 100 was down 0.2% d/d, while DAX was up 0.7% d/d. Hong Kong's Hang Seng index rose 0.8% d/d, while CSI 300 jumped 1.1% d/d. Nikkei 225 rose 0.9% d/d.

- Treasury yields pulled back on Thursday following softer-than-expected inflation data. The yield on the benchmark 10-year Treasury fell to 3.51%, losing 10bps. The 2-year Treasury yield was last at 4.23% after declining by 8bps.
- Greenback also tumbled to 104.74, closing the day 1.1% lower as it weakened against all G10s save for the CAD. EUR strengthened to 1.0520 (+1.1% d/d) while the GBP was up 1.6% d/d to \$1.2247. The JPY rallied close to 2.0% against the USD at 135.33 while the Aussie saw a relatively smaller gain of 0.3% to 0.6811. Asian currencies advanced by and large against the greenback. The MYR appreciated 0.8% d/d to 4.4070 against the USD while the SGD strengthened 0.6% to 1.3535. USD/CNH which has been seeing some big swings recently ended rather flat at 7.0385 (-0.1%).
- Oil prices rose after top crude importer China eased COVID curbs in Guangzhou and Chongqing. Brent crude was up 2.2% d/d while the West Texas Intermediate crude added 1.1% d/d. Crude prices were also supported by hopes of another potential output cut from OPEC+, who is scheduled to meet on Dec 4. Gold prices, meanwhile, jumped by 2.8% d/d to climb above \$1,800 per ounce, as the dollar weakened on prospects of slower rate hikes from the Federal Reserve and signs of cooling US inflation.

US core-PCE prices slowed to +5.0%; solid personal income and spending

- Core-PCE prices rose less than expected by 0.2% m/m in October (Sept: +0.5% m/m), while on an annual basis, core PCE moderated to 5.0% y/y as expected (Sept: +5.2% y/y revised). Overall headline PCE prices also increased less than expected by 0.3% m/m, maintaining the same pace for the third month, and

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	34,395.01	-0.56
S&P 500	4,076.57	-0.09
NASDAQ	11,482.45	0.13
Stoxx Eur 600	443.96	0.89
FTSE 100	7,558.49	-0.19
Nikkei 225	28,226.08	0.92
Hang Seng	18,736.44	0.75
Straits Times	3,292.73	0.07
KLCI 30	1,491.51	0.18
FX		
Dollar Index	104.74	-1.09
EUR/USD	1.0520	1.10
GBP/USD	1.2247	1.57
USD/JPY	135.33	-1.98
AUD/USD	0.6811	0.34
USD/CNH	7.0385	-0.10
USD/MYR	4.4070	-0.84
USD/SGD	1.3535	-0.58
Commodities		
WTI (\$/bbl)	81.41	1.14
Brent (\$/bbl)	87.26	2.23
Gold (\$/oz)	1,817.40	2.79
Copper (\$\$/MT)	8,360.00	0.91
Aluminum(\$/MT)	2,475.00	-0.64
CPO (RM/tonne)	4,098.50	-1.43

Source: Bloomberg, HLBB Global Markets Research

eased to +6.0% y/y as expected (Sept: +6.3% y/y revised). Real personal spending, adjusted for inflation, meanwhile, quickened to +0.5% m/m as expected in October (Sept: +0.3% m/m), the most since the start of the year and largely reflecting a surge in outlays for merchandise. Nominal personal spending and personal income also surprised on the upside, picking up faster than expected to +0.8% and +0.7% m/m respectively during the month (Sept: +0.4% and +0.6% m/m). The savings rate fell to 2.3%, the lowest since 2005.

- For the week ending November 26, initial claims fell by 16k to 225k after increasing by 18k previously. Continuing claims, meanwhile, rose by 57k to 1608k for the week ending November 19, slight slower than 48k previously but is the highest since February.

Overall deterioration in PMI manufacturing added to signs of global demand weaknesses

- November sees first deterioration in US manufacturing performance since June 2020. The S&P Global US Manufacturing PMI stood at 47.7, down from 50.4 in October. Key findings were renewed decline in output amid faster fall in new orders, first improvement in supplier performance since October 2019. On a more positive note, cost pressures eased further. Mirroring this is the ISM manufacturing index which slid more than expected to 49.0 (Oct: 50.2). Of the six biggest manufacturing industries, Petroleum & Coal Products and Transportation Equipment registered weak-to-moderate growth in November.
- Eurozone Manufacturing PMI improved slightly, albeit less than expected, to 47.1 in November (Oct: 46.4). Looking ahead, future output expectations have picked up slightly on improved supply chain and energy market signals, the latter buoyed by warmer than usual autumn weather, but confidence remains amongst the lowest seen over the past decade.
- In the UK, the manufacturing sector was hit hard by weak demand, declining export sales, high energy prices and component shortages. The S&P Global / CIPS UK Manufacturing PMI ticked slightly up to 46.5 in November (Oct: 46.2). The outlook for the sector also darkened, as confidence among manufacturers fell to its lowest level since April 2020.
- In China, the Caixin China General Manufacturing PMI unexpectedly rose 0.2 points to 49.4 (Oct: 49.2), contrary to the deeper contraction in the official PMI print. This is the 4th month the index is in contractionary territory as Covid-19 outbreaks curtailed manufacturing activity in many parts of China.
- In Japan, the IHS Markit Japan Manufacturing PMI fell to 49.0 in November (Oct: 50.7), to signal a renewed deterioration in the overall health of the manufacturing sector. Despite being only mild, the latest negative reading was the first in 22 months and was the joint-lowest since October 2020.
- In Vietnam, the picture darkened considerably in November, with the index plunging to 47.4 (Oct: 50.6), ending 13 consecutive months of expansion. It should be noted that the recent depreciation of the VND has pushed up input costs and contributed to the drop in new orders.
- In Malaysia, the contraction deepened in November, with the PMI slipping from 48.7 to 47.9. Notably, there was a solid slowdown in production levels and order book was seen scaling back at the fastest pace since August 2021.

Eurozone unemployment rate eased to 6.5% in October.

- In October, Euro unemployment rate edged down 6.5%. This is a shade lower than consensus estimate which expects the rate to stay unchanged at 6.6%.

Japan raised capital spending; consumer confidence fell for the 3rd month

- Japanese companies raised spending on plant and equipment for a sixth straight quarter in 3Q at +9.8% y/y (2Q: +4.6% y/y), beating consensus's estimate's 6.4% y/y. In fact, this is the second quarter that the indicator has

accelerated, led by non-manufacturing (+10.7% vs +0.0% y/y), while manufacturing moderated to +8.2% y/y (2Q: +13.7%). This data has raised expectation that 3Q GDP maybe revised upwards.

- Consumer confidence Index, meanwhile, fell for the third straight month to 28.6 in November (Oct: 29.9), against expectation for a pick-up to 30.0. This is the worst since June 2020.

Australia private capital expenditure fell 0.6%

- Australia's new capital expenditure fell by 0.6% q/q in 3Q, the first decline this year after flat growth previously and was worse than consensus estimate's +1.5% q/q. The decline was led by capex spending on equipment, plant and machinery.

Hong Kong retail sales surprised on the upside

- Hong Kong retail sales surprised with a 3.9% y/y gain in October (Sept: +0.3% y/y), against expectations for a 2.1% y/y decline. Sales growth has stayed volatile for the past few months but it is positive that sales were led by discretionary items like jewellery, watches & clocks, wearing apparels and consumer durables on top of food.

House View and Forecasts

FX	This Week	4Q-22	1Q-23	2Q-23	3Q-23
DXY	103-108	115.00	112.70	110.45	110.00
EUR/USD	1.00-1.06	0.95	0.97	0.98	0.98
GBP/USD	1.16-1.24	1.10	1.10	1.11	1.12
USD/JPY	135-140	147.00	146.00	145.00	144.00
AUD/USD	0.65-0.69	0.62	0.63	0.64	0.64
USD/MYR	4.40-4.50	4.68	4.64	4.62	4.60
USD/SGD	1.35-1.38	1.45	1.44	1.42	1.40

Rates, %	Current	4Q-22	1Q-23	2Q-23	3Q-23
Fed	3.75-4.00	4.25-4.50	5.25-5.50	5.25-5.50	5.25-5.50
ECB	2.00	2.75	2.75	2.75	2.75
BOE	3.00	3.25	3.25	3.25	3.25
BOJ	-0.10	-0.10	-0.10	-0.10	-0.10
RBA	2.85	3.10	3.10	3.10	3.10
BNM	2.75	2.75	3.00	3.00	3.00

Source: HLBB Global Markets Research

Up Next

Date	Events	Prior
2-Dec	AU Home Loans Value MoM (Oct)	-8.20%
	EC PPI MoM (Oct)	1.60%
	SI Purchasing Managers Index (Nov)	49.7
	US Change in Nonfarm Payrolls (Nov)	261k
	US Average Hourly Earnings MoM (Nov)	0.40%
5-Dec	AU S&P Global Australia PMI Services (Nov F)	47.2
	AU Melbourne Institute Inflation MoM (Nov)	0.40%
	JN Jibun Bank Japan PMI Services (Nov F)	49.4
	HK S&P Global Hong Kong PMI (Nov)	49.3
	SI S&P Global Singapore PMI (Nov)	57.7
	CH Caixin China PMI Services (Nov)	48.4
	SI Retail Sales YoY (Oct)	11.20%
	EC S&P Global Eurozone Services PMI (Nov F)	48.6
	EC Sentix Investor Confidence (Dec)	-30.9
	UK S&P Global/CIPS UK Services PMI (Nov F)	48.8
	EC Retail Sales MoM (Oct)	0.40%
	US S&P Global US Services PMI (Nov F)	46.10
US Factory Orders (Oct)	0.30%	

Hong Leong Bank Berhad

Fixed Income & Economic Research, Global Markets
 Level 8, Hong Leong Tower
 6, Jalan Damanlela
 Bukit Damansara
 50490 Kuala Lumpur
 Tel: 603-2081 1221
 Fax: 603-2081 8936

HLMarkets@hlbb.hongleong.com.my

US Durable Goods Orders (Oct F)	1.00%
US Cap Goods Orders Nondef Ex Air (Oct F)	0.70%
US ISM Services Index (Nov)	54.4

Source: Bloomberg

DISCLAIMER

This report is for information purposes only and does not take into account the investment objectives, financial situation or particular needs of any particular recipient. The information contained herein does not constitute the provision of investment advice and is not intended as an offer or solicitation with respect to the purchase or sale of any of the financial instruments mentioned in this report and will not form the basis or a part of any contract or commitment whatsoever.

The information contained in this publication is derived from data obtained from sources believed by Hong Leong Bank Berhad ("HLBB") to be reliable and in good faith, but no warranties or guarantees, representations are made by HLBB with regard to the accuracy, completeness or suitability of the data. Any opinions expressed reflect the current judgment of the authors of the report and do not necessarily represent the opinion of HLBB or any of the companies within the Hong Leong Bank Group ("HLB Group"). The opinions reflected herein may change without notice and the opinions do not necessarily correspond to the opinions of HLBB. HLBB does not have an obligation to amend, modify or update this report or to otherwise notify a reader or recipient thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

HLB Group, their directors, employees and representatives do not have any responsibility or liability to any person or recipient (whether by reason of negligence, negligent misstatement or otherwise) arising from any statement, opinion or information, expressed or implied, arising out of, contained in or derived from or omission from the reports or matter.

Potential and actual conflict of interest may arise from the activities of HLB Group. HLB Group constitute a diversified financial services group. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, hedging transactions and other activities for their own account or the account of others. In the ordinary course of their business, HLB Group may effect transactions for their own account or for the account of their customers and hold long or short positions in the financial instruments. HLB Group, in connection with its business activities, may possess or acquire material information about the financial instruments. Such activities and information may involve or have an effect on the financial instruments. HLB Group have no obligation to disclose such information about the financial instruments or their activities.

The past performance of financial instruments is not indicative of future results. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Any projections or forecasts mentioned in this report may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information. No assurance can be given that any opinion described herein would yield favourable investment results. Recipients who are not market professional or institutional investor customer of HLBB should seek the advice of their independent financial advisor prior to taking any investment decision based on the recommendations in this report.

HLBB may provide hyperlinks to websites of entities mentioned in this report, however the inclusion of a link does not imply that HLBB endorses, recommends or approves any material on the linked page or accessible from it. Such linked websites are accessed entirely at your own risk. HLBB does not accept responsibility whatsoever for any such material, nor for consequences of its use.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. This report is for the use of the addressees only and may not be redistributed, reproduced or passed on to any other person or published, in part or in whole, for any purpose, without the prior, written consent of HLBB. The manner of distributing this report may be restricted by law or regulation in certain countries. Persons into whose possession this report may come are required to inform themselves about and to observe such restrictions. By accepting this report, a recipient hereof agrees to be bound by the foregoing limitations.