

Global Markets Research
Daily Market Highlights

30 Sep: Relief rally proved short-lived

**Stocks and bonds saw renewed declines; oil snapped a two-day advance
BOE-related boost dissipated; Fed rate hike jitters returned to the fore
DXY retreated further; GBP led gainers while commodity currencies fell**

- Positive vibes triggered by the BOE's bond buying plans failed to sustain, aggravated by hawkish Fed speaks which further instilled fear of imminent fallout from more aggressive rate hikes ahead. Fed Bullard commented that additional rate hikes are unavoidable; Fed Mester echoed that rates need to keep rising to reduce inflation; Fed Daly said the Fed should curb inflation in a manner that avoids a difficult downturn, while Bostic said he did not expect the BOE's bond buying plan and economic fallout to spill over to the US.
- Global financial markets were engulfed in a sea of red again, with major stock indices plunging 2.0-3.0% in the US and Europe, while global bond yields were seen spiking again, led by the UK gilts. Yields of 10Y UK gilts jumped 13bps to 4.13%, still a modest move compared to the 50bps fall a day earlier and the massive 100bps cumulative spike post Truss's mini budget. Yields have increased 65bps on net since. Comparatively, the UST saw smaller moves between 3-7bps across the curve, led by the front end. 10Y note yields added 5bps to 3.79% while the 2s rose 6bps to 4.19%, with the yield curve inversion staying little changed at -40bps.
- Back to stocks, the three benchmark US stock indices fell 1.5-2.8%, with the NASDAQ falling the most. Apple shares continued to fall, losing close to 5.0% d/d following a report that it is delaying plans to increase production this year following softer than expected demand for its new iPhones. Across the Atlantic, Stoxx Eur 600 and FTSE 100 retreated 1.7-1.8%. Earlier, Asian stocks traded mixed, with the Hang Seng losing 0.5% but the Nikkei advanced close to 1.0%. Futures are pointing to a largely lower opening this morning.
- The FX markets also saw mixed trading although the DXY retreated further to 102.08, down a further 0.6% d/d after the 1.2% selloff the preceding day. The sterling led gainers, rebounded to increase 2.1% while the EUR traded 0.8% firmer on Thursday. JPY and commodity currencies weakened.
- Asian currencies were firmer by and large, led by gains in the CNY, THB and SGD. On the contrary, the MYR saw extended losses for the 9th straight day, weakening 0.2% to 4.6405, and looks poised to break 4.65 soon.
- Oil prices snapped a two-day decline amid return of risk aversion in the market. Brent crude fell 0.5% to \$88.86/ barrel while the WTI retreated 0.3% d/d to \$81.61/ barrel.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	29,225.61	-1.54
S&P 500	3,640.47	-2.11
NASDAQ	10,737.51	-2.84
Stoxx Eur 600	382.89	-1.67
FTSE 100	6,881.59	-1.77
Nikkei 225	26,422.05	0.95
Hang Seng	17,165.87	-0.49
Straits Times	3,115.08	-0.04
KLCI 30	1,397.50	-0.31
FX		
Dollar Index	111.80	-0.83
EUR/USD	0.9815	0.82
GBP/USD	1.1117	2.09
USD/JPY	144.46	0.21
AUD/USD	0.6500	-0.34
USD/CNH	7.0978	-0.90
USD/MYR	4.6405	-0.22
USD/SGD	1.4327	-0.15
Commodities		
WTI (\$/bbl)	81.61	-0.33
Brent (\$/bbl)	88.86	-0.46
Gold (\$/oz)	1,658.60	-0.02
Copper (\$\$/MT)	7,515.00	0.48
Aluminum(\$/MT)	2,232.00	4.54
CPO (RM/tonne)	3,275.00	-6.31

Source: Bloomberg, HLBB Global Markets Research

US final 2Q GDP contracted 0.6% q/q; initial jobless claims fell to a 5-month low:

- A final reading confirmed that the US economy contracted 0.6% q/q in 2Q, following the 1.6% decline in 1Q, in what economists deemed a technical recession given two consecutive quarters of q/q contraction. Upward revision in personal consumption growth (+2.0% vs +1.5% q/q) was offset by bigger declines in private investment (-14.1% vs -13.2% q/q) and government spending (-1.6% vs -1.8% q/q). Core PCE was revised higher to 4.7% in 2Q, from the earlier estimate of +4.4% (1Q: +5.6%), suggesting more sticky inflation which will dampen growth outlook ahead. On a y/y basis, growth moderated to 1.8% in 2Q (1Q: +3.7%), its slowest since 1Q21.
- Initial jobless claims fell to 193k for the week ended 24-Sep (prior: 209k revised), against expectations for an uptick to 215k. This marked its lowest reading since early May, and also its first sub-200k reading since then, a sign of a still solid labour market as supply remained tight. Claims however is expected to be on an uptick as Hurricane Ian displaces workers during the storm.

Confidence weakened in the Eurozone:

- Economic confidence weakened more than expected to 93.7 in September, down from 97.3 in August. This marked its 7th straight month of pullback, to its lowest level since Nov-20.
- Industrial confidence and services confidence also softened, while final print of consumer confidence confirmed a dip to record low levels, reaffirming concerns over deteriorating growth outlook ahead.

New Zealand business outlook improved but remained grim:

- ANZ outlook remained in negative territory, albeit ticking up in the last three months, last printed at -1.8 in September (Aug: -4.0), reflecting modest improvement in business confidence (-36.7 vs -47.8), capacity utilisation, investment intention, and commercial construction intentions. Inflation expectations also moderated to 5.98%, from 6.13% in August while wage growth was seen easing but remained high nonetheless.

Vietnam economy accelerated in 3Q but momentum slowed in September:

- 3Q GDP growth nearly doubled to 13.7% y/y in 3Q, a strong pick-up from the 7.7% growth in 2Q but missed expectations for a 14.4% increase. Year-to-date, the Vietnamese economy expanded by 8.8% y/y in the first three quarters of the year, making it the fastest growing economy in the region. The SBV's full percentage point rate cut earlier this month is expected to provide further boost to the Vietnamese economy going forward.
- The record growth based on available data was driven by broad-based expansion across all key sectors – services (+14.6% y/y), industry/construction (+8.3% y/y) and agriculture/ forestry/ fishery (+0.8%).
- September data however showed momentum has abated somewhat which would likely extend into 4Q. Exports growth tapered off more than expected to 10.3% y/y in September (Aug: +22.1%) while imports growth staged a surprised pullback to 6.4% y/y (Aug: +12.4%). Industrial production growth moderated to 13.0% (Aug: +15.6%) as quicker growth in mining and electricity was offset by slower expansion in manufacturing and water supply. Meanwhile, retail sales pulled back from very high level in August, but the expansion remained commendable at 36.1% y/y (Aug: +50.2%), boosted by tourism related activities after border reopening.

House View and Forecasts

FX	This Week	3Q-22	4Q-22	1Q-23	2Q-23
DXY	110-115	106.00	105.00	103.00	102.00
EUR/USD	0.95-1.00	1.02	1.03	1.05	1.04
GBP/USD	1.05-1.10	1.21	1.22	1.24	1.23
USD/JPY	140-145	138.00	135.00	133.00	132.00
AUD/USD	0.64-0.68	0.67	0.69	0.70	0.70
USD/MYR	4.58-4.65	4.42	4.40	4.38	4.35
USD/SGD	1.42-1.45	1.40	1.38	1.37	1.36

Rates, %	Current	3Q-22	4Q-22	1Q-23	2Q-23
Fed	3.00-3.25	3.00-3.25	4.25-4.50	4.25-4.50	4.25-4.50
ECB	1.25	1.25	2.75	2.75	2.75
BOE	2.25	2.25	3.25	3.25	3.25
BOJ	-0.10	-0.10	-0.10	-0.10	-0.10
RBA	2.35	2.35	3.10	3.10	3.10
BNM	2.50	2.50	2.50	2.75	2.75

Source: HLBB Global Markets Research

Up Next

Date	Events	Prior
30/09	NZ ANZ Consumer Confidence Index (Sep)	85.4
	NZ Building Permits MoM (Aug)	5.00%
	JN Jobless Rate (Aug)	2.60%
	JN Job-To-Applicant Ratio (Aug)	1.29
	JN Retail Sales MoM (Aug)	0.70%
	JN Industrial Production MoM (Aug P)	0.80%
	JN Retail Sales YoY (Aug)	2.40%
	JN Dept. Store, Supermarket Sales YoY (Aug)	2.80%
	CH Manufacturing PMI (Sep)	49.4
	CH Non-manufacturing PMI (Sep)	52.6
	CH Caixin China PMI Mfg (Sep)	49.5
	JN Consumer Confidence Index (Sep)	32.5
	JN Housing Starts YoY (Aug)	-5.40%
	UK GDP QoQ (2Q F)	-0.10%
	HK Retail Sales Value YoY (Aug)	4.10%
	EC Unemployment Rate (Aug)	6.60%
	EC CPI Estimate YoY (Sep)	9.10%
	US Personal Income (Aug)	0.20%
	US Personal Spending (Aug)	0.10%
	US Real Personal Spending (Aug)	0.20%
US PCE Core Deflator YoY (Aug)	4.60%	
US MNI Chicago PMI (Sep)	52.2	
US U. of Mich. Sentiment (Sep F)	59.5	
03/10	AU S&P Global Australia PMI Mfg (Sep F)	53.9
	JN Tankan Large Mfg Outlook (3Q)	10
	JN Tankan Large Non-Mfg Outlook (3Q)	13
	JN Tankan Large All Industry Capex (3Q)	18.60%
	MA S&P Global Malaysia PMI Mfg (Sep)	50.3
	VN S&P Global Vietnam PMI Mfg (Sep)	52.7
	JN Jibun Bank Japan PMI Mfg (Sep F)	51
	EC S&P Global Eurozone Manufacturing PMI (Sep F)	48.5
	UK S&P Global/CIPS UK Manufacturing PMI (Sep F)	48.5
	SI Electronics Sector Index (Sep)	49.6
	SI Purchasing Managers Index (Sep)	50
	US S&P Global US Manufacturing PMI (Sep F)	51.8
	US Construction Spending MoM (Aug)	-0.40%
US ISM Manufacturing (Sep)	52.8	

Source: Bloomberg

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