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Global Markets Research

Daily Market Highlights

1 Aug: Muted markets ahead of the NFP data

DXY, Wall Street gained modestly; Apple, Amazon set to release results this week

Eurozone's 2Q GDP returned to growth on Ireland; Headline inflation eased as expected

China's non-manufacturing PMI slowed; Manufacturing improved, but contractionary

- Wall Street rose modestly on Monday, wrapping up its fifth consecutive month of gains. The Dow Jones Industrial Average, S&P 500 and Nasdaq added between 0.1%-0.3% d/d each as a string of positive data from the labour and inflation front recently lifted sentiment. 2Q earnings also continued to trickle in better-than-expected, supporting the equities market. Later this week, investors will be parsing results from Apple and Amazon.
- European markets closed higher, with Stoxx Eur 600 and FTSE 100 closing up 0.1% d/d each as investors digested the cooling inflation data for the Eurozone as well as better-than-expected 2Q GDP for the former. Asian markets also trended higher despite China's factory activity still in the contraction territory for the fourth month. Hang Seng index rose 0.8% d/d, while Nikkei 225 gained 1.3% d/d.
- UST yields were little changed, with the 2Y and 10Y down by less than 1bps each to close at 4.88% and 3.96% respectively. 10Y European bond yields closed mixed between -1bps to +3bps. In Asia, the 10Y JGB bond yield extended above the central bank's target for the second day to close at 0.59%.
- DXY found some footing, gaining 0.2% d/d to 101.86. EUR retreated from early gains and weakened 0.2% d/d. GBP also depreciated by 0.1% d/d ahead of the Bank of England's (BoE) policy meeting this week. JPY extended its losses, weakening further by 0.8% d/d to close at 142.29 after the Bank of Japan (BoJ) loosened its grip on the yield curve control (YCC) last week. On the other hand, most other regional currencies strengthened during the day, with the CNH and SGD appreciating between 0.1%-0.2% d/d each. MYR strengthened a whopping 1.1% d/d during the day to close at 4.5070.
- Oil posted gains of between 0.7%-1.5% d/d after a reduction in supply from OPEC+ heavyweight Saudi Arabia and Russia. Accordingly, Deputy Prime Minister Alexander Novak has said earlier that Russia will cut its crude exports to 500k barrels per day in August, while the former is extending its supply curbs to include September.

US regional activities improved

- The Dallas Fed Manufacturing Activity Index stayed negative but ticked up more than expected to -20.0 in July (June: -23.2). This marks the 14th consecutive month of contraction but also the second month of improvement. While the company outlook index pushed further negative to -16.9, the

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	35,559.53	0.28
S&P 500	4,588.96	0.15
NASDAQ	14,346.02	0.21
Stoxx Eur 600	471.35	0.12
FTSE 100	7,699.41	0.07
Nikkei 225	33,172.22	1.26
Hang Seng	20,078.94	0.82
Straits Times	3,373.98	0.08
KLCI 30	1,459.43	0.63
FX		
Dollar Index	101.86	0.23
EUR/USD	1.0997	-0.17
GBP/USD	1.2835	-0.12
USD/JPY	142.29	0.80
AUD/USD	0.6717	1.01
USD/CNH	7.1461	-0.09
USD/MYR	4.5070	-1.05
USD/SGD	1.3296	-0.15
Commodities		
WTI (\$/bbl)	81.80	1.51
Brent (\$/bbl)	85.56	0.67
Gold (\$/oz)	1,970.50	0.52
Copper (\$\$/MT)	8,831.50	1.95
Aluminum(\$/MT)	2,282.50	2.72
CPO (RM/tonne)	3,833.00	-2.99

Source: Bloomberg, HLBB Global Markets Research

* Dated as of 28th July for CPO

outlook uncertainty index moved up four points to 20.5. Of note, the future general business activity index entered positive territory for the first time in more than a year to +4.6 (June: 4.5).

- The MNI Chicago PMI improved for the second month, albeit less than expected to 42.8 in July (June: 41.5) as the prices paid sub-index rose at a faster pace. The business barometer, new orders, production and order backlogs sub-indices also fell at a slower pace, supporting the overall index.

Eurozone's economy returned to growth on Ireland; inflation eased to 5.3%

- The eurozone economy returned to growth in 2Q and beat consensus estimates to grow by +0.3% q/q (1Q: 0), largely buoyed by a positive 3.3% turnaround in Ireland. Italy saw a drop in its 2Q GDP to -0.3% q/q, while Germany remained weak with zero growth after 2 consecutive quarters of contraction.
- While headline inflation matched expectations to moderate to +5.3% y/y in July (June: +5.5% y/y), core reading was unexpectedly stable at +5.5% y/y. Within the core, gains in non-energy industrial goods moderated sharply during the month, but this was offset by a slight pick-up in services inflation to its record high of 5.6% y/y in July. As it is, weak economic activities in Germany and Italy, coupled with lower PMI readings and lower inflationary pressures will raise the probability that ECB is near, if not already at the end of its tightening cycle.

UK net mortgage approvals rose but still below 10Y average

- Net mortgage approvals unexpectedly rose to 54.7k in June (May: 51.1k). Nevertheless, this was still below the 10Y average and the recent surge in borrowing costs will likely reduce demand going forward. In tandem with this, net consumer credit jumped to £1.7bn (May: £1.1bn), the highest since April 2018 led by borrowing in car dealership finance and personal loans. On a negative note, separate data showed that the Lloyds Business Barometer retreated to 31 in July (June: 37).

Australia's private credit growth unexpectedly slowed

- Australia's private credit growth unexpectedly slowed for the second month to +0.2% m/m in June (May: +0.4% m/m), primarily due to lending to investor housing as well as businesses, while the Melbourne Institute's inflation gauge eased for the third month to +5.4% y/y in July (June: +5.7% y/y), dampening RBA rate hike expectations.
- According to CoreLogic, house prices rose for the fifth month, albeit less than expected by +0.8% m/m in July (June: +1.2% m/m). July's cooling was driven by the upper quartile of the market but could be a sign of broader easing in the pace of growth going forward.
- The headline Judo Bank Australia PMI was left unchanged at 49.6 in July (June: 48.2). The latest reading signalled a fifth monthly decline in manufacturing activity, but the highest level since February in a sign that the worst of the slowdown may be behind us.

Japan's consumer confidence improved, housing starts fell more than expected

- Consumer confidence unexpectedly increased to 37.1 in July (June: 36.2) as sentiment improved across all sub-indices. This marks the fifth consecutive month where confidence has improved and this is a positive sign for consumer spending. Price expectations continue to decrease, with 92.8% of households

expecting prices to be higher for the year ahead, down 0.4ppts m/m. Separately, housing starts contracted more than expected by 4.8% y/y in June (May: +3.5% y/y), while unemployment rate unexpectedly improved to 2.5% for the same month (May: 2.6%).

China's official non-manufacturing PMI slowed; manufacturing PMI improved slightly but still contractionary

- China's non-manufacturing PMI slowed sharper than expected to 51.5 in July (June: 53.2) as a slackening in the services sector as well as a sharp slowdown in the construction sector weighed down on activities. The official manufacturing PMI, meanwhile, registered its fourth month of contraction, albeit unexpectedly picked up to 49.3 (June: 49.0) as manufacturers continue to be hesitant to ramp up production amidst insufficient demand. Nevertheless, a narrower contraction in new orders suggests that the sector may be stabilizing.

Hong Kong's 2Q tapered off to +1.5% y/y

- Hong Kong's GDP unexpectedly decelerated to +1.5% y/y in 2Q (1Q: +2.7% y/y), while on a q/q basis, growth registered its first contraction since 3Q of 2022, dipping by 1.3% q/q (1Q: +5.3% q/q).
- On a y/y basis, the moderation in growth was underpinned by slower consumer spending (+8.5% y/y vs 2Q: +12.5% y/y), while government spending and investment turned contractionary during the quarter. Trade in goods continued to register double digit contractions amidst softer global growth which affected external demand, especially from China, while conversely, exports and imports of services continued to chalk second consecutive quarter of double-digit growths, benefitting from the reopening of the border and thus, revival of tourism activities.

House View and Forecasts

FX	This Week	3Q-23	4Q-23	1Q-24	2Q-24
DX	99-103	102	101	100	99
EUR/USD	1.08-1.12	1.11	1.12	1.14	1.12
GBP/USD	1.26-1.30	1.29	1.31	1.33	1.30
USD/JPY	135-141	141	139	136	133
AUD/USD	0.65-0.69	0.67	0.68	0.68	0.69
USD/MYR	4.46-4.56	4.69	4.64	4.60	4.55
USD/SGD	1.31-1.35	1.35	1.34	1.33	1.33

Rates, %	Current	3Q-23	4Q-23	1Q-24	2Q-24
Fed	5.25-5.50	5.25-5.50	5.25-5.50	5.00-5.25	4.50-4.75
ECB	4.25	4.25	4.25	4.25	4.00
BOE	5.00	5.50	5.50	5.50	5.00
BOJ	-0.10	-0.10	-0.10	-0.10	-0.10
RBA	4.10	4.35	4.35	4.35	4.35
BNM	3.00	3.00	3.00	3.00	3.00

Source: HLBB Global Markets Research

Up Next

Date	Events	Prior
1-Aug	JN Jibun Bank Japan PMI Mfg (Jul F)	49.4
	MA S&P Global Malaysia PMI Mfg (Jul)	47.7
	VN S&P Global Vietnam PMI Mfg (Jul)	46.2
	AU Home Loans Value MoM (Jun)	4.80%
	AU Building Approvals MoM (Jun)	20.60%
	CH Caixin China PMI Mfg (Jul)	50.5
	AU RBA Cash Rate Target (37104)	4.10%

	UK Nationwide House PX MoM (Jul)	0.10%
	EC HCOB Eurozone Manufacturing PMI (Jul F)	42.7
	HK Retail Sales Value YoY (Jun)	18.40%
	UK S&P Global/CIPS UK Manufacturing PMI (Jul F)	45
	HK Retail Sales Volume YoY (Jun)	16.50%
	EC Unemployment Rate (Jun)	6.50%
	US S&P Global US Manufacturing PMI (Jul F)	49
	US Construction Spending MoM (Jun)	0.90%
	US JOLTS Job Openings (Jun)	9824k
	US ISM Manufacturing (Jul)	46
	US Dallas Fed Services Activity (Jul)	-8.2
2-Aug	US MBA Mortgage Applications	-1.80%
	US ADP Employment Change (Jul)	497k
	SI Purchasing Managers Index (Jul)	49.7

Source: Bloomberg

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