

1 December 2023

Global Markets Research

Daily Market Highlights

1 Dec: Dow Jones rallied to new 2023-high

US treasury yields rose across the curve; DXY rebounded above the 103-handle

Softer price prints for US, Eurozone; US consumer spending eased; jobless claims jumped

China manufacturing and services PMIs weakened for a 2nd straight month

- The Dow Jones Industrial Average rallied to a new high for the year on Thursday, as more cooling inflation data and strong Salesforce earnings capped the benchmark's best month since October 2022. The 30-stock Dow gained 1.5% d/d, while the S&P 500 added 0.4% d/d. However, Nasdaq was about 0.2% d/d lower as investors took some profits in Big Tech stocks that have led the November comeback. Leading the equities market was cloud software company Salesforce, which popped 9.4% d/d on the back of better-than-expected quarterly results. Investors also cheered quarterly results and sales outlooks by Victoria's Secret, La-Z-Boy and Big Lots. European and Asian markets, meanwhile, had also closed mostly in the green earlier the day.
- Treasury yields rose across the curve, with the 2Y up 4bps at 4.68% and the 10Y gaining 7bps at 4.33%. 10Y European bond yields increased between 1-8bps led by UK gilts.
- DXY recovered from its recent slides and closed the day 0.7% d/d stronger at 103.50. Weaker than expected European and Chinese economic numbers weighed on G10 and regional currencies. The former weakened in tune of 0.6-0.7% d/d, while JPY led losses in Asia at -0.7% d/d. CNH, MYR and SGD depreciated by less than 0.4% d/d each to 7.1459, 4.6625 and 1.3373 respectively.
- Crude oil price prices fell between 0.3-2.4% d/d on Thursday as skepticism mounts over OPEC+ cuts. The alliance announced roughly 900k barrels a day of additional output cuts that will take effect in January. As curbs are largely voluntary, Angola has already rejected its new target, saying that it will continue pumping as it has been. Weighing on WTI was also the US reporting its crude output hitting a record high of 13.2m barrels/day in September.

US consumer spending, PCE prices softened; initial jobless claims jumped

- Consumer spending rose moderately in October, while the y/y increase in prices was the smallest in more than 2 years, signs of cooling demand that bolstered expectations that the Federal Reserve's interest rate hiking campaign was over. Matching expectations, personal spending moderated to +0.2% m/m (Sep: +0.7% m/m) as increased outlays on services, including healthcare, housing & utilities and international travel, was partially offset by a drop in spending on goods like motor vehicles, probably the result of shortages caused by the recently ended United Auto Workers strike. The moderation in spending could also be attributed to the slower income growth for the second month at +0.2% m/m (Sep: +0.4% m/m).
- Accompanying data also showed that growth in both the headline and personal consumption expenditures (PCE) price indices eased to +3.0% y/y

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	35,950.89	1.47
S&P 500	4,567.80	0.38
NASDAQ	14,226.22	-0.23
Stoxx Eur 600	461.61	0.55
FTSE 100	7,453.75	0.41
Nikkei 225	33,486.89	0.50
CSI 300	3,496.20	0.23
Hang Seng	17,042.88	0.29
Straits Times	3,072.99	-0.38
KLCI 30	1,452.74	0.46
FX		
Dollar Index	103.50	0.71
EUR/USD	1.0888	-0.74
GBP/USD	1.2624	-0.56
USD/JPY	148.20	0.65
AUD/USD	0.6605	-0.18
USD/CNH	7.1459	0.04
USD/MYR	4.6625	0.23
USD/SGD	1.3373	0.33
Commodities		
WTI (\$/bbl)	75.96	-2.44
Brent (\$/bbl)	82.83	-0.32
Gold (\$/oz)	2,038.10	-0.44
Copper (\$\$/MT)	8,464.50	0.58
Aluminum(\$/MT)	2,193.00	-0.95
CPO (RM/tonne)	3,718.50	-0.83

Source: Bloomberg, HLBB Global Markets Research

* Dated as of 29 Nov for CPO

and +3.5% y/y respectively (Sep: +3.4% y/y and +3.7% y/y), the former easing more than expected and the latter, matching expectations. On a m/m basis, prices were flat for headline and +0.2% m/m for core (Sep: +0.4% m/m and +0.3% m/m) as declines in energy and good prices kept overall inflation in check, even as food prices and services increased at softer paces.

- Although less than expected, October's pending home sales, a forward-looking indicator, fell 1.5% m/m (Sep: +1.0% m/m) to its lowest since at least 2001. Sales were weighed down by the high mortgage rates during the month. Recent weeks' successive declines in mortgage rates will help qualify more home buyers, but limited housing inventory is significantly preventing home sales to pick up.
- Matching expectations, initial claims for state unemployment benefits increased 7k to 218k for the week ended November 25 (Nov 18: -22k), while continuing claims jumped 86k to 1927k the week before (Nov 11: -21k). This is the highest since November 2021. While some of the surge could be due to gyrations around holidays, still, the labor market is cooling in tandem with overall demand in the economy. The Fed's Beige Book reported that most districts reported flat to modest increases in overall employment.
- MNI Chicago PMI improved more than expected to 55.8 in November (Oct: 44.0), signalling an expansion for the index and across all sub-indices.

Eurozone's inflation eased more than expected

- Headline and core inflation cooled more than expected to +2.4% y/y and +3.6% y/y in November (Oct: +2.9% y/y and +4.2% y/y) as energy prices continued to log significant y/y declines while both food prices and services also eased again. There is no change to our view that the main refinancing rates have peaked for this cycle, but we think it is too early for cuts. As it is, ECB officials have repeatedly stressed that it is too early to declare victory over price rises in the bloc, as they monitor potential pressures from wage increases and energy markets. Separate data also showed that the unemployment rate held steady at a record low of 6.5% in October.

Credit growth slowed in Australia

- Mixed data from Australia. Private sector credit growth slowed more than expected to +0.3% m/m in October (Sep: +0.5% m/m), due to slower lending to businesses and other-personal credit while lending to housing held steady. Housing approvals, meanwhile, jumped more than expected by 7.5% m/m in October (Sep: 4.0% m/m). Despite the monthly increase, total dwellings approved have been low this financial year. Separate data this morning also showed that the Judo Bank PMI Manufacturing was left unchanged at 47.7 for November (Oct: 48.2).

Japan's housing starts fell at a slower pace; capital spending slowed but still positive; unemployment rate eased

- Mixed slew of mildly positive economic data from Japan. Matching expectations, capital spending growth remained in positive territory, albeit at a softer pace of +3.4% y/y in 3Q (2Q: +4.5% y/y) and hinting of resilience in business investment even if the broader economic recovery loses momentum. In the labour market, jobless rate unexpectedly eased to 2.5% in October (Sep: 2.6%), while jobs to applicant ratio also improved to 1.30 from 1.29 previously. The contraction in housing starts narrowed more than expected and for the second month to -5.3% y/y in October (Sep: -6.8% y/y).

China PMIs unexpectedly weakened

- China PMIs unexpectedly weakened for a second straight month in November, with both the manufacturing and non-manufacturing PMIs falling to 49.4 and 50.2 respectively (Oct: 49.5 and 50.6). According to NBS, insufficient market demand is still the primary reason weighing on recovery in the manufacturing sector, while within the non-manufacturing, weakness in the service industries outweighed strength in construction, the latter suggesting that the recent macro measures have a mild positive impact.

Hong Kong's retail sales slowed

- Retail sales slowed more than expected to +5.6% y/y in October (Sep: +13.0% y/y) as tight financial conditions and economic uncertainties weighed on consumption sentiment. Nonetheless, further recovery of visitor arrivals, coupled with improvement in household income and Government's measures to support the economy including the "Night Vibes Hong Kong" should benefit the retail sector going forward. Supporting this view is that spending on discretionary items like jewellery, watches & clocks and wearing apparel remained strong with double-digit growths.

House View and Forecasts

FX	This Week	4Q-23	1Q-24	2Q-24	3Q-24
DXY	102-105	107	107	106	105
EUR/USD	1.07-1.11	1.04	1.04	1.04	1.05
GBP/USD	1.23-1.27	1.20	1.20	1.20	1.21
USD/JPY	147-151	150	147	144	141
AUD/USD	0.64-0.68	0.64	0.65	0.66	0.67
USD/MYR	4.64-4.70	4.74	4.69	4.65	4.60
USD/SGD	1.32-1.35	1.38	1.37	1.35	1.34

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

Source: HLBB Global Markets Research

Up Next

Date	Events	Prior
1-Dec	JN Jibun Bank Japan PMI Mfg (Nov F)	48.7
	MA S&P Global Malaysia PMI Mfg (Nov)	46.8
	VN S&P Global Vietnam PMI Mfg (Nov)	49.6
	CH Caixin China PMI Mfg (Nov)	49.5
	EC HCOB Eurozone Manufacturing PMI (Nov F)	43.8
	UK S&P Global/CIPS UK Manufacturing PMI (Nov F)	46.7
	US S&P Global US Manufacturing PMI (Nov F)	50.0
	US Construction Spending MoM (Oct)	0.40%
	US ISM Manufacturing (Nov)	46.7
4-Dec	AU Melbourne Institute Inflation YoY (Nov)	5.10%
	AU Home Loans Value MoM (Oct)	0.60%
	EC Sentix Investor Confidence (Dec)	-18.6
	US Factory Orders (Oct)	2.80%
	US Durable Goods Orders (Oct F)	-5.40%
	US Cap Goods Orders Nondef Ex Air (Oct F)	-0.10%

Source: Bloomberg

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

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