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Global Markets Research

Daily Market Highlights

2 Aug: RBA maintained cash rate target at 4.10%

RBA: Some further tightening may be required; AUD depreciated sharply

US ISM-Manufacturing still below 50; Job openings eased slightly; DXY, UST yields rose

China's Caixin Manufacturing PMI dipped below 50; CNH, CSI 300 weakened

- Wall Street started August in a cautious mood, with the S&P 500 closing 0.3% d/d lower while Nasdaq fell 0.4% d/d amidst a mixed batch of corporate earnings reports and economic data. The Dow Jones Industrial Average meanwhile, closed just above the flatline by +0.2% d/d. As it is, the latest JOLTS report showed that job openings have slimmed but remained resilient, while July's ISM showed that the manufacturing sector remained sluggish. Uber Technologies, Caterpillar and Pfizer were amongst the corporates releasing their results during the day. Uber Technologies reported its first ever operating profit but this was eclipsed by a slower pace of growth. Pfizer reported mixed results, with earnings beating estimates despite Covid product sales plummeting, while Caterpillar soared as profits beat expectations.
- Both the Stoxx Eur 600 and FTSE 100 slipped during the day, closing 0.9% d/d and 0.4% d/d lower. Asian markets closed mixed as China's factory activity fell into contraction territory for the first time since April, according to the Caixin survey. Hang Seng and CSI 300 dropped between 0.3%-0.4% d/d each, but Nikkei rose 0.9% d/d.
- UST yields rose across the curve led by the long end. The 2Y inched up by 3bps to 4.90%, while the 10Y rose 6ps to 4.02%. The 30Y jumped 8bps to close at 4.09%, having climbed to its highest since November 2022 at 4.11% earlier in the day. 10Y European bond yields mostly rose in tune of 6-9bps.
- DXX advanced 0.4% d/d to close at 102.30 with its G10 peers, EUR, GBP and JPY depreciating in tune of 0.1%-0.7% d/d each against USD. Closer to home, AUD led losses in the region, falling sharply by 1.6% d/d after the RBA unexpectedly left its cash rates unchanged at 4.10%. CNH, MYR and SGD also closed weaker in tune of 0.3%-0.6% d/d each to 7.1856, 4.5188 and 1.3366.
- Prices of oil and gold slipped during the day on a stronger USD. The former weakened between 0.5%-0.8% d/d, while the latter fell 1.5% d/d.

RBA maintained cash rate target at 4.10%

- Against expectations, the Reserve Bank of Australia (RBA) left the cash rate target unchanged at 4.10%. Key highlights from the statement include: 1) Inflation to moderate to around 3.8% by end 2024 and return to the 2-3% target range only in late 2025. 2) RBA is projecting growth of 1.8% over 2024 and a little above 2.0% over 2025, broadly similar to May's forecast. 3) RBA continues to reiterate that some further tightening of monetary policy may be required.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	35,630.68	0.20
S&P 500	4,576.73	-0.27
NASDAQ	14,283.91	-0.43
Stoxx Eur 600	467.16	-0.89
FTSE 100	7,666.27	-0.43
Nikkei 225	33,476.58	0.92
Hang Seng	20,011.12	-0.34
Straits Times	3,373.79	-0.01
KLCI 30	1,451.24	-0.56
FX		
Dollar Index	102.30	0.44
EUR/USD	1.0984	-0.12
GBP/USD	1.2777	-0.45
USD/JPY	143.34	0.74
AUD/USD	0.6613	-1.55
USD/CNH	7.1856	0.55
USD/MYR	4.5188	0.26
USD/SGD	1.3366	0.53
Commodities		
WTI (\$/bbl)	81.37	-0.53
Brent (\$/bbl)	84.91	-0.76
Gold (\$/oz)	1,940.70	-1.51
Copper (\$\$/MT)	8,631.00	-2.27
Aluminum(\$/MT)	2,255.50	-1.18
CPO (RM/tonne)	3,802.00	-0.81

Source: Bloomberg, HLBB Global Markets Research

* Dated as of 31 July for CPO

- Meanwhile, higher interest rates continue to weigh down on the housing market, with housing loan approvals unexpectedly registering a contraction of 1.0% m/m in June (May: +5.4% m/m) largely driven by owner-occupier housing.

China's Caixin Manufacturing PMI dipped below 50; Malaysia's PMI edged up marginally to 47.8

- The final S&P Global US Manufacturing PMI was left unchanged at 49.0 in July (June: 46.3). The deterioration was the third in as many months, albeit the weakest in this period of decline. On a positive note, there was a marked improvement in business expectations for output in the year ahead while prices charged for goods barely increased for a third month.
- The final HCOB Eurozone Manufacturing PMI was left unchanged at 42.7 in July (June: 43.4). This marks a sixth consecutive month of decrease in the headline and the sharpest since May 2020.
- The final S&P Global / CIPS UK Manufacturing PMI was revised 0.3ppts upwards to 45.3 in July (June: 46.5). This is the lowest reading in 2023 and joint-weakest since May 2020.
- The final au Jibun Bank Japan Manufacturing PMI was revised upwards by 0.2ppts to 49.6 in July (June: 49.8). Of note, businesses remained optimistic that cost pressures and muted demand conditions would recede and allow for a broad-based boost in output and demand over the coming 12 months.
- China's Caixin Manufacturing PMI worsened more than expected to 49.2 in July (June: 50.5), marking the first PMI reading below 50.0 for three months. Firms signalled a marginal fall in output amidst a fresh contraction in new business. When assessing the year-ahead outlook for output, firms were their most upbeat since April but remained below historical average.
- S&P Global Malaysia Manufacturing PMI edged up slightly to 47.8 in July (June: 47.7). Of note, new order intakes moderated to the greatest extent in 6 months, while output levels continued to be scaled back at a solid pace. As such, the manufacturing sector may still have some way to go before demand recovers fully.
- The S&P Global Vietnam Manufacturing PMI stabilised at 48.7 in July (June: 46.2) with new orders registering its smallest contraction in 5 months. That said, the subdued business environment has resulted in inventories built up.

US ISM-Manufacturing improved but still contractionary; Job openings eased slightly

- The uptick in the ISM Manufacturing Index was less than expected at 46.4 in July (June: 46.0) with the new orders sub-index still contracting at 47.3 (June: 45.6). The employment index slipped further into contraction to 44.4 (June: 48.1), while prices Index edged up to 42.6 (June: 41.8), but still contributing to goods disinflation.
- JOLTS jobs opening showed that job openings eased more than expected to its lowest level since 2021 at 9.58m in June (May: 9.62m). Nevertheless, the vacancy-to-unemployed rate held steady at 5.8, as both the hiring and quits rates fell slightly to 3.8 and 3.6 respectively (May: 4.0 and 3.8). The latter is also the lowest since 2021 and used as a proxy for perceptions about job security. Job openings increased in health care as well as states and local government sectors, but declined for transportation and warehousing.
- Construction spending softened more than expected to +0.5% m/m in July (June: +1.1% m/m) mainly due to the residential sector, while the Dallas Fed Services Activity index improved to -4.2 in July (June: -8.2). The company

outlook index increased to 0.5, with the near-zero figure indicating company outlooks were no longer worsening and held mostly steady in July. The outlook uncertainty index also ticked down to 10.9, below its series average of 13.5.

Eurozone's unemployment rate low at 6.4%

- Eurozone's unemployment rate held steady at 6.4% in June (May: downwardly revised 6.4%). This is a record low pointing to a resilient labour market.

UK House Price contracted less than expected

- Nationwide House Price Index worsened less than expected to -3.8% y/y in July (June: -3.5% y/y). This is the weakest since July 2009 and is now 4.5% below the August 2022 peak. While activity is likely to remain subdued in the near term, healthy income growth and modestly lower house prices should help to improve housing affordability over time.

Double-digit growth for Hong Kong's retail sales

- Retail sales accelerated more than expected to +19.6% y/y in June (May: +18.5% y/y). Even stripping out the effect of price changes, volume growth remained robust at 17.5% y/y (May: +16.6% y/y). We note that sales of discretionary items were sturdy during the month and this bodes well with expectations that that sales should hold up going forward benefitting from a recovery of inbound tourism, positive sentiment, a strong labour and the disbursement of consumption vouchers.

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
2-Aug	US MBA Mortgage Applications	-1.80%
	US ADP Employment Change (Jul)	497k
	SI Purchasing Managers Index (Jul)	49.7
3-Aug	AU Judo Bank Australia PMI Services (Jul F)	48
	JN Jibun Bank Japan PMI Services (Jul F)	53.9
	SI S&P Global Singapore PMI (Jul)	54.1
	HK S&P Global Hong Kong PMI (Jul)	50.3
	AU Exports MoM (Jun)	4%
	AU Retail Sales Ex Inflation QoQ (2Q)	-0.60%
	CH Caixin China PMI Services (Jul)	53.9
	EC HCOB Eurozone Services PMI (Jul F)	51.1
	UK S&P Global/CIPS UK Services PMI (Jul F)	51.5
	EC PPI YoY (Jun)	-1.50%

UK Bank of England Bank Rate	5.00%
US Challenger Job Cuts YoY (Jul)	25.20%
US Nonfarm Productivity (2Q P)	-2.10%
US Unit Labor Costs (2Q P)	4.20%
US Initial Jobless Claims	221k
US S&P Global US Services PMI (Jul F)	52.4
US Factory Orders (Jun)	0.30%
US Durable Goods Orders (Jun F)	4.70%
US Cap Goods Orders Nondef Ex Air (Jun F)	0.20%
US ISM Services Index (Jul)	53.9

Source: Bloomberg

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