

3 October 2023

## Global Markets Research

### Daily Market Highlights

## 3 Oct: 10Y UST yields rallied to a 16-year high

**PMI manufacturing prints remained below 50; Fed speaks remained hawkish**

**DXY touched 107s; Oil prices tumbled to around \$90/barrel on growth outlook concern**

**World Bank cut growth forecast for East Asia to 5.0% in 2023 and 4.5% in 2024**

- The US equities market closed mixed while Treasury yields closed higher after the Republicans and Democrats came to a short-term agreement to stave off a government shutdown. The Dow declined 0.2% d/d, but the S&P 500 and Nasdaq closed just above the flatline and +0.7% d/d respectively. Notable movers were Tesla which edged lower 0.6% d/d after reporting a slide in global deliveries last quarter, but Discover Financial Services and Nvidia jumped 4.9% d/d and +3.0% d/d
- European stock markets also closed lower after its bond yields surged. Stoxx Eur 600 lost 1.0% d/d, while FTSE 100 shed 1.3% d/d. In Asia, Hang Seng and CSI 300 were closed for holidays, but Nikkei 225 traded 0.3% d/d lower.
- UST yields climbed, with the 2Y up 6bps at 5.10%, while the 10Y was up 11bps to 4.68%. It had earlier hit a high of 4.70%, its highest since 2007. 10Y European bond yields, meanwhile, jumped between 3-15bps led by the Norwegian bonds and UK gilts.
- DXY hit as high as 107.03 before closing at 106.90 (+0.7% d/d), Supporting the climb was the US government avoiding a shutdown, economic data supporting the view of a hawkish pause as well as Fed Governor Michelle Bowman's comment that she is supportive of another increase in the policy rate to tame inflation. European currencies depreciated in tune to 0.9% d/d, while in Asia, JPY, CNH, MYR and SGD weakened at a lesser pace between 0.3%-0.5% d/d.
- Crude oil prices tumbled on worries about further rate increases and its impact on the global economy. The West Texas Intermediate fell 2.2% d/d to \$88.82/barrel, while Brent slipped 4.8% d/d to \$90.71/barrel.

### World Bank slashed growth forecast for East Asia to 5.0% in 2023 and 4.5% in 2024

- Key highlights from the World Bank's East Asia and Pacific October 2023 Economic Update include: 1) Growth in developing East Asia and Pacific projected to remain strong at 5.0% in 2023 (Previous forecast: +5.1%), easing in the 2H and is forecast to be 4.5% in 2024 (Previous: 4.8%). 2) Growth in China is projected to be 5.1% in 2023 (unchanged) slowing to 4.4% in 2024 (Previous: 4.8%) amidst the fading impact from revenge spending post the re-opening of the economy, elevated debt, weakness in the property sector and structural factors such as aging. 3) Malaysia is expected to grow by 3.9% in 2023 and 4.3% in 2024 (Previous: +4.3% in 2023 and +4.2% in 2024), driven by a recovery in global growth, the tourism sector and anticipated higher oil

#### Key Market Metrics

	Level	d/d (%)
<b>Equities</b>		
Dow Jones	33,433.35	-0.22
S&P 500	4,288.39	0.01
NASDAQ	13,307.77	0.67
Stoxx Eur 600	445.59	-1.03
FTSE 100	7,510.72	-1.28
Nikkei 225	31,759.88	-0.31
CSI 300	3,689.52	-0.30
Hang Seng	17,809.66	2.51
Straits Times	3,208.86	-0.27
KLCI 30	1,418.76	-0.38
<b>FX</b>		
Dollar Index	106.90	0.69
EUR/USD	1.0477	-0.91
GBP/USD	1.2087	-0.92
USD/JPY	149.86	0.33
AUD/USD	0.6363	-1.12
USD/CNH	7.3227	0.41
USD/MYR	4.7172	0.47
USD/SGD	1.3730	0.50
<b>Commodities</b>		
WTI (\$/bbl)	88.82	-2.17
Brent (\$/bbl)	90.71	-4.83
Gold (\$/oz)	1,830.00	-0.98
Copper (\$\$/MT)	8,053.00	-2.63
Aluminum(\$/MT)	2,321.00	-1.11
CPO (RM/tonne)	3,687.00	0.45

Source: Bloomberg, HLBB Global Markets Research  
 \* Dated as of 29 Sep for CPO, Hang Seng; 28 Sep for CSI 300

prices. Risks to Malaysia include deeper global growth shocks and domestic inflation.

#### **All S&P Manufacturing PMIs still below 50**

- The final US Manufacturing PMI was revised upwards by 0.9ppts to 49.8 in September (Aug: 47.9). September saw a -stabilization of business conditions, but a further increase in price pressures is a concern on the inflation front.
- The final HCOB Eurozone Manufacturing PMI was left unchanged at 43.4 (Aug: 43.5). Data showed that factory job losses intensified amid sinking new orders and deteriorating business confidence. With the exception of Greece (where the Manufacturing PMI stood at 50.3), all of the other countries monitored registered downturns.
- The final UK Manufacturing PMI was revised upwards by 0.1ppts to 44.3 (Aug: 43.0). Still, these are amongst the weakest readings seen over the past 14 years with scale back seen across all sub-sectors.
- The final Jibun Bank Japan Manufacturing PMI was revised down by 0.1ppts to 48.5 in Aug (Jul: 49.6), marking the weakest since February. Sluggish economic conditions domestically and globally weighed heavily on the sector, as both output and new orders were scaled back further. The latter was notably sharp.
- The Manufacturing PMI for Malaysia slid to 46.8 in September (Aug: 47.8). Of note, the level of outstanding business signalled one of the steepest depletions in backlogs in the series history amid a sustained lack of new orders. Firms are increasingly cautious on spending, pulling back on input purchases, stock holdings and employment levels.
- The Vietnam Manufacturing PMI retreated back below the 50-threshold at 49.7 in September (Aug: 50.5). The picture was mixed across the sub-indices, with firms continuing to see demand and confidence pick up, but there is still some excess capacity in the sector. As such, firms continued to lower employment and also scaled back output slightly, opting to use the inventories that had been building up in recent months.

#### **US ISM beats expectations but still contractionary**

- The ISM Manufacturing index rose more than expected to 49.0 in September (Aug: 47.6). This is the best performance since November 2022 and the m/m improvement signals a stabilising manufacturing sector. Companies are still managing outputs appropriately as order softness continues. Prices index remained in decreasing territory, but energy costs in August and September could possibly affect future material costs.
- Matching expectations, construction spending moderated to +0.5% m/m in August (Jul: +0.9% m/m) primarily driven by the residential sector.

#### **Eurozone's unemployment rate stood at 6.4%**

- Matching expectations, unemployment rate stood at 6.4% in August (Jul: Upwardly revised 6.5%).

#### **UK's house prices remained contractionary y/y**

- Nationwide house price growth remained weak in September, unchanged m/m (Aug: -0.8% m/m) and contracting 5.3% y/y (Aug: -5.3% y/y), albeit less than forecast. Moving forward, the housing market is expected to remain fairly subdued given that borrowing costs are unlikely to return to the historic lows but will be supported by income growth and lower house prices.

### House View and Forecasts

FX	This Week	3Q-23	4Q-23	1Q-24	2Q-24
DXY	105-107	106	101	100	99
EUR/USD	1.04-1.07	1.06	1.12	1.14	1.12
GBP/USD	1.21-1.23	1.22	1.31	1.33	1.30
USD/JPY	146-150	149	139	136	133
AUD/USD	0.63-0.65	0.64	0.68	0.68	0.69
USD/MYR	4.68-4.72	4.66	4.64	4.60	4.55
USD/SGD	1.35-1.37	1.37	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	5.50-5.75	5.50-5.75	5.50-5.75
ECB	4.50	4.50	4.50	4.50	4.50
BOE	5.25	5.25	5.25	5.25	5.25
BOJ	-0.10	-0.10	-0.10	-0.10	-0.10
RBA	4.10	4.10	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
3-Oct	AU Home Loans Value MoM (Aug)	-1.20%
	AU Building Approvals MoM (Aug)	-8.10%
	AU RBA Cash Rate Target	4.10%
	SI Purchasing Managers Index (Sep)	49.9
	US JOLTS Job Openings (Aug)	8827k
4-Oct	AU Judo Bank Australia PMI Services (Sep F)	50.5
	JN Jibun Bank Japan PMI Services (Sep F)	53.3
	SI S&P Global Singapore PMI (Sep)	53.6
	EC HCOB Eurozone Services PMI (Sep F)	48.4
	UK S&P Global/CIPS UK Services PMI (Sep F)	47.2
	EC Retail Sales MoM (Aug)	-0.20%
	EC PPI MoM (Aug)	-0.50%
	US MBA Mortgage Applications	-1.30%
	US ADP Employment Change (Sep)	177k
	US S&P Global US Services PMI (Sep F)	50.2
	US Factory Orders (Aug)	-2.10%
	US ISM Services Index (Sep)	54.5

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](mailto:HLMarkets@hlbb.hongleong.com.my)

**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.