

4 December 2023

## Global Markets Research

### Daily Market Highlights

## 4 Dec: Fed funds rate is “well into restrictive territory”

**Powell: Premature to speculate the timing of policy easing; calling for cautious moves**  
**Bets on peaked Fed rate and rate cuts sent US stocks higher; Treasury yields and DXY lower**  
**Manufacturing PMIs for majors still under pressure; China & Singapore PMIs above 50**

- Wagers on Fed rate cuts sent US equity markets closing higher on Friday. The 3 major equity indices closed up in tune to 0.6-0.8% d/d after Federal Reserve Chair Jerome Powell offered the strongest signal that officials are likely done raising rates, saying that the policy rate is “well into restrictive territory.” While his comments were laced with caution, as he also added that “It would be premature to conclude with confidence that we have achieved a sufficiently restrictive stance,” it appeared to also reassure investors that the Fed will start cutting rates next year.
- Major European bourses also ended on an upbeat note, with mining stocks leading gains following the pick-up in China’s factory activity. Major Asian markets, on the other hand, broke ranks and closed mostly in red.
- Treasury yields fell during the day, slipping between 10-15bps across the curve. The 2 and 10Y yields closed down 14 and 13bps to 4.54% and 4.20% respectively. 10Y European bond yields also slid between 4-13bps.
- DXY fell 0.2% d/d to close at 103.27 following Powell’s cautious dovish tone. Most of its G10 peers strengthened against the Dollar save the EUR and DKK. Regional currencies closed mixed, with CNH and SGD closing 0.3% d/d stronger against USD while MYR weakened 0.2% d/d to 4.6733.
- Oil prices plunged between 2.5-4.8% d/d after OPEC+ announced that there would be no formal extension of production cuts. Saudi Arabia extended its 1m barrels/day voluntary cut into 1Q of 2024, and other members announced their own reductions.

### Most S&P Manufacturing PMIs remained under pressure; China Caixin rebounded above 50

- The final S&P Global US Manufacturing PMI was left unchanged at 49.4 in November (Oct: 50.0), signalling a renewed decline in the health of the sector. Contributing to this was a sixth drop in new order inflows in the last seven months, but there are some signs of the inventory cycle starting to turn, with producers of intermediate goods now reporting modest order book growth.
- Eurozone factory downturn remained strong in November despite the upward revision in the index, as the contractions in output, new orders and inventories eased. The final manufacturing PMI was revised upwards by 0.4ppts to 44.2 (Oct: 43.1) and is the highest since May. Of the eight nations included in the index, six recorded in contraction territory.
- The final S&P Global / CIPS UK Manufacturing PMI was revised upwards by 0.5ppts to 47.2 in November (Oct: 44.8). As it is, the index has risen for the third month and is at its highest since April, potentially marking a turnaround in the corner. The downturn in new orders, although still solid, also slowed

### Key Market Metrics

	Level	d/d (%)
<b>Equities</b>		
Dow Jones	36,245.50	0.82
S&P 500	4,594.63	0.59
NASDAQ	14,305.03	0.55
Stoxx Eur 600	466.20	0.99
FTSE 100	7,529.35	1.01
Nikkei 225	33,431.51	-0.17
CSI 300	3,482.88	-0.38
Hang Seng	16,830.30	-1.25
Straits Times	3,090.31	0.56
KLCI 30	1,456.38	0.25
<b>FX</b>		
Dollar Index	103.27	-0.22
EUR/USD	1.0884	-0.04
GBP/USD	1.2710	0.68
USD/JPY	146.82	-0.93
AUD/USD	0.6675	1.06
USD/CNH	7.1242	-0.30
USD/MYR	4.6733	0.23
USD/SGD	1.3335	-0.28
<b>Commodities</b>		
WTI (\$/bbl)	74.07	-2.49
Brent (\$/bbl)	78.88	-4.77
Gold (\$/oz)	2,071.00	1.61
Copper (\$\$/MT)	8,610.50	1.72
Aluminum(\$/MT)	2,209.00	0.73
CPO (RM/tonne)	3,718.50	-0.83

Source: Bloomberg, HLBB Global Markets Research  
 \* Dated as of 30 Nov for CPO

and manufacturers remained on a cautious footing amidst ongoing market uncertainty and the need to control costs leading to job losses, stock depletion and lower purchasing.

- The Caixin China Manufacturing PMI rose to a 3-month high of 50.7 in November (Oct: 49.5), a renewed improvement in the health of the sector. Supporting the index was a sustained and quicker rise in overall new business and the best seen since June. Firms often noted that firmer market conditions helped to lift sales, but new work from overseas continued to fall slightly.
- The final Jibun Bank Japan Manufacturing PMI was revised upwards by 0.2ppts to 48.3 in November (Oct: 48.7). Overall, the performance of the sector remained downbeat, but manufacturers remained optimistic that muted demand and production conditions would lift over the coming year on the back of a broad-based boost from domestic and international demand, most notably in the semiconductor sector.
- Malaysia's manufacturing sector remained contractionary in November despite the manufacturing PMI rising to its 7-month high of 47.9 (Oct: 46.8). The latest data reaffirmed tentative signs that the sector may be turning a corner as the contraction in the new orders moderated and business confidence also picked up.
- Waning demand conditions led to a renewed fall in new orders for the first time in 4 months, sending the Vietnam Manufacturing PMI to 47.3 in November (Oct: 49.6). The renewed fall in new business was in part attributed to some resistance among customers to price rises. Therefore, the sector looks set to head into 2024 in pretty subdued fashion.

#### **US ISM Manufacturing unexpectedly stayed flat in November**

- The ISM Manufacturing index unexpectedly remained unchanged at 46.7 in November. Companies are still managing outputs appropriately as order softness continues. Companies reported slightly reduced production and took more actions to reduce headcounts. The Prices Index remained in 'decreasing' territory, but just barely, signifying price stability as a result of energy markets easing, though offset by increases in the steel markets. Of the six biggest manufacturing industries, only two registered growths during the month.
- Construction spending unexpectedly accelerated to +0.6% m/m in October (Sep: +0.2% m/m), primarily driven by a turnaround in the residential property segment.

#### **UK's home prices unexpected rose for the third month**

- Nationwide House Price index unexpectedly rose for the third month by +0.2% m/m in November (Oct: +0.9% m/m) and this resulted in an improvement in the annual rate of growth from -3.3% in October to -2.0%. While prices remained weak, it is the strongest outturn in nine months. There has been a change in market expectations for the future path of bank rate in recent months which, if sustained, could provide support for housing market activity.

#### **Singapore's PMI expanded for the third months; electronics broke 15-months losing streak**

- November's PMI inched up for the third month (50.3 vs 50.2) after a six-month slump, suggesting the export-dependent sector is on track for a sustained recovery. Expansion was helped by broad-based improvements across key indicators, with the new orders and input purchases both entered expansion territory for the first time since August and July 2022 respectively. The

electronics cluster also broke a 15-month losing streak, gaining 0.2ppts to 50.1.

#### House View and Forecasts

FX	This Week	4Q-23	1Q-24	2Q-24	3Q-24
DXY	101-105	107	107	106	105
EUR/USD	1.07-1.10	1.04	1.04	1.04	1.05
GBP/USD	1.24-1.28	1.20	1.20	1.20	1.21
USD/JPY	145-150	150	147	144	141
AUD/USD	0.65-0.68	0.64	0.65	0.66	0.67
USD/MYR	4.63-4.69	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
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%
5-Dec	AU Judo Bank Australia PMI Services (Nov F)	46.3
	JN Tokyo CPI YoY (Nov)	3.30%
	JN Jibun Bank Japan PMI Services (Nov F)	51.7
	SI S&P Global Singapore PMI (Nov)	53.7
	HK S&P Global Hong Kong PMI (Nov)	48.9
	CH Caixin China PMI Services (Nov)	50.4
	AU RBA Cash Rate Target	4.35%
	SI Retail Sales SA MoM (Oct)	-1.60%
	EC ECB 1 Year CPI Expectations (Oct)	4.00%
	EC ECB 3 Year CPI Expectations (Oct)	2.50%
	EC HCOB Eurozone Services PMI (Nov F)	48.2
	UK S&P Global/CIPS UK Services PMI (Nov F)	50.5
	EC PPI YoY (Oct)	-12.40%
	US S&P Global US Services PMI (Nov F)	50.8
	US JOLTS Job Openings (Oct)	9553k
	US ISM Services Index (Nov)	51.8

Source: Bloomberg

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