

5 July 2023

Global Markets Research

Daily Market Highlights

5 July: FOMC minutes in focus next

DXY back above 103s on subdued trade on US Independence Day holiday

Equity futures point to mixed to lower openings today

RBA delivered a hawkish pause; FOMC minutes in focus next

- It was a quiet day for global financial markets as the US markets were closed in observance of Independence Day holiday. European stocks and bonds both ended on a marginally weaker note amid subdued trade in the absence of any major catalysts. The Stoxx Eur 600 eked out a 0.1% gain while the FTSE100 slipped 0.1% d/d. In the Asian markets, the Nikkei225, STI and KLCI all fell while the Hang Seng Index rose 0.6% on the day. Equity futures seem to be pointing to mixed to lower openings in all the three regions namely the US, Europe and Asia markets today.
- On the FX front, the DXY continued to inch higher for a 2nd straight day, clawing back the 103 big figure despite muted trading within a narrow range of 102.88-103.11, last settling 0.1% higher at 103.10. This came on the back of declines in the EUR (-0.3%), DKK (-0.3%) and CHF (-0.1%), while other G10s strengthened. All Asian currencies, save for the INR, appreciated against the greenback, with the THB leading gainers (+1.0%). The MYR gained 0.4% d/d to 4.6502, its strongest level in eight trading days, supported by an increase in oil prices. Brent crude jumped 1.6% d/d to \$76.12/ barrel amid ongoing supply concerns following output cut plans by Saudi Arabia and Russia's export curb.

RBA delivered a hawkish pause as expected

- RBA kept its cash target rate unchanged at 4.10% as expected, putting a halt to two consecutive 25bps hikes in the last two meetings. Policy rhetoric remains hawkish, as the central bank said "some further tightening of monetary policy may be required", suggesting RBA is leaving the door open for one more rate hike ahead. RBA acknowledged the risk of ongoing high inflation expectations, and that higher rates and price pressure are having a dampening effect on household spending. Judging from growing risks to household consumption and lower than expected inflation, we are of the view that RBA will stay pat at current level for the remainder of the year.
- Final print of PMI services showed services activities slowed more than the initial estimate to 50.3 in June (prelim 50.7 and May: 52.1). This marked its 2nd straight month of moderation although it still remained in expansionary level, a sign of slower growth in the next few months that would likely keep the RBA on a pause mode.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	34,418.47	0.03
S&P 500	4,455.59	0.12
NASDAQ	13,816.77	0.21
Stoxx Eur 600	461.30	0.07
FTSE 100	7,519.72	-0.10
Nikkei 225	33,422.52	-0.98
Hang Seng	19,415.68	0.57
Straits Times	3,203.77	-0.10
KLCI 30	1,392.49	-0.24
FX		
Dollar Index	103.10	0.13
EUR/USD	1.0879	-0.30
GBP/USD	1.2713	0.16
USD/JPY	144.47	-0.15
AUD/USD	0.6692	0.28
USD/CNH	7.2279	-0.34
USD/MYR	4.6502	-0.35
USD/SGD	1.3493	-0.14
Commodities		
WTI (\$/bbl)	70.12	-0.47
Brent (\$/bbl)	76.12	1.55
Gold (\$/oz)	1,929.20	0.07
Copper (\$\$/MT)	8,359.00	-0.25
Aluminum(\$/MT)	2,170.00	0.42
CPO (RM/tonne)	3,917.00	5.01

Source: Bloomberg, HLBB Global Markets Research
Note: 3rd July closing for US stock indices, WTI and Gold

House View and Forecasts

FX	This Week	3Q-23	4Q-23	1Q-24	2Q-24
DXV	102-105	102	101	100	99
EUR/USD	1.07-1.10	1.11	1.12	1.14	1.12
GBP/USD	1.24-1.28	1.29	1.31	1.33	1.30
USD/JPY	143-147	141	139	136	133
AUD/USD	0.64-0.68	0.67	0.68	0.68	0.69
USD/MYR	4.65-4.72	4.69	4.64	4.60	4.55
USD/SGD	1.34-1.38	1.35	1.34	1.33	1.33

Rates, %	Current	3Q-23	4Q-23	1Q-24	2Q-24
Fed	5.00-5.25	5.25-5.50	5.25-5.50	5.00-5.25	4.50-4.75
ECB	4.00	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	4.10	4.10	4.10	4.10
BNM	3.00	3.00	3.00	3.00	3.00

Source: HLBB Global Markets Research

Up Next

Date	Events	Prior
5-Jul	JN Jibun Bank Japan PMI Services (Jun F)	54.2
	SI S&P Global Singapore PMI (Jun)	54.5
	HK S&P Global Hong Kong PMI (Jun)	50.6
	CH Caixin China PMI Services (Jun)	57.1
	SI Retail Sales YoY (May)	3.60%
	EC HCOB Eurozone Services PMI (Jun F)	52.4
	UK S&P Global/CIPS UK Services PMI (Jun F)	53.7
	EC PPI YoY (May)	1.00%
	US Factory Orders (May)	0.40%
	US Durable Goods Orders (May F)	1.70%
6-Jul	US FOMC Meeting Minutes (41791)	
	AU Exports MoM (May)	-5%
	MA BNM Overnight Policy Rate (38899)	3.00%
	UK DMP 3M Output Price Expectations (Jun)	5.40%
	UK DMP 1 Year CPI Expectations (Jun)	5.90%
	EC Retail Sales MoM (May)	0.00%
	US MBA Mortgage Applications (11110)	3.00%
	US ADP Employment Change (Jun)	278k
	US Trade Balance (May)	-\$74.6b
	US Initial Jobless Claims (1 Jul)	239k
	US S&P Global US Services PMI (Jun F)	54.1
	US JOLTS Job Openings (May)	10103k
	US ISM Services Index (Jun)	50.3

Source: Bloomberg

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