5 October 2023

Global Markets Research

Daily Market Highlights

5 Oct: Retreat in UST yields after weaker job gains

US equities and bonds rebounded; DXY fell below 107 on tempered Fed outlook

ISM services fell; Factory orders rebounded; Mortgage applications lowest since 1996

Oil prices plunged on higher Cushing inventory and weak demand for gasoline

- A much calmer market with a retreat in UST yields from their multi-year highs helped push equities higher on Wednesday. While the S&P 500 largely wavered, it still finished 0.8% d/d higher. The Dow Jones broke a 3-day losing streak to gain 0.4% d/d. Nasdaq also traded up 1.4% d/d. Shares of technology and consumer-discretionary were the best-performing sectors, while lower oil prices boosted support for cruise companies and airlines but dinged energy stocks.

- Earlier in the day, European markets retreated as global sentiment faltered, sending Stoxx Eur 600 and FTSE 100 0.1% and 0.8% d/d lower. Of note, Sandoz shares opened at CHF24.00 per share before closing at CHF 24.35. Asian markets were also broadly weaker, with Nikkei 225 and Hang Seng dropping 2.3% and 0.8% d/d respectively.

- A much weaker-than-expected jobs data tempered Fed outlook, sending yields for the 2Y and 10Y UST down 10bps and 6bps respectively to 5.05% and 4.73%. 10Y European bond yields also retreated between 2-8bps except for the Swedish sovereign bonds (+1bps).

- DXY slid 0.2% d/d to 106.80, paring some of its recent gains after weaker-than-expected US private payroll data. The Dollar did retrace some of its losses after factory orders gained more than expected. European currencies rebounded in tune to 0.4%-0.5% d/d, while in Asia, JPY weakened slightly by 0.1% d/d at 149.12. MYR also depreciated slightly by 0.1% d/d to 4.7300, while CNH and SGD appreciated by 0.1% d/d each.

- Oil prices settled down by more than 5% d/d as a bleaker macroeconomic picture took center stage. According to the EIA, inventory in Cushing, Oklahoma increased for the first time in eight weeks, while finished motor gasoline supplied, a proxy for demand, fell to the lowest seasonal level in 25 years. Saudi Arabia and Russia, meanwhile, said that they remained committed to sticking with its voluntary output cuts of more than 1.0m barrels per day until year end.

S&P Services PMIs for majors showed softening trend

- The final US Services PMI was revised 0.1ppts downwards to 50.1 in September (Aug: 50.5). Amongst the sector that saw waning demand includes travel, tourism and recreation as well as financial services. Providers of consumer-oriented services also reported that the sector has gradually lost momentum.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	33,129.55	0.39
S&P 500	4,263.75	0.81
NASDAQ	13,236.01	1.35
Stoxx Eur 600	440.08	-0.14
FTSE 100	7,412.45	-0.77
Nikkei 225	30,526.88	-2.28
CSI 300	3,689.52	-0.30
Hang Seng	17,195.84	-0.78
Straits Times	3,147.39	-1.41
KLCI 30	1,415.84	-0.29
FX		
Dollar Index	106.80	-0.19
EUR/USD	1.0504	0.35
GBP/USD	1.2135	0.48
USD/JPY	149.12	0.07
AUD/USD	0.6325	0.36
USD/CNH	7.3164	-0.09
USD/MYR	4.7300	0.13
USD/SGD	1.3721	-0.07
Commodities		
WTI ($/bbl)	84.22	-5.61
Brent ($/bbl)	85.81	-5.62
Gold ($/oz)	1,818.50	-0.33
Copper ($$/MT)	7,949.50	-0.71
Aluminum($/MT)	2,246.50	-1.90
CPO (RM/tonne)	3,673.00	0.37

Source: Bloomberg, HLBB Global Markets Research
** Dated as of 3 Oct for CPO; 28 Sep for CSI 300*

- The final Eurozone Services PMI was revised upwards by 0.3ppts to 48.7 in September (Aug: 47.9). This marks the second month of contraction as new businesses fell at the quickest pace since February 2021. Employment continued to rise, albeit only modestly, business confidence fell to a 10-month low while input prices rose the strongest in 4 months.
- The final UK Services PMI was revised a shade upwards by 0.1ppts to 49.3 in September (Aug: 49.5). This marks the second month of contraction and its lowest level since January as cutbacks to non-essential business and consumer spending weighed on sales volumes.
- The final Jibun Bank Services PMI was revised upwards by 0.5ppts to 53.8 in September (Aug: 54.3). The index, although remained solid, is the lowest since January amidst sharp fall in employment as well as lower business confidence.
- The S&P Global Singapore Composite PMI rose to 54.2 in September (Aug: 53.6 in August). This signalled a seventh consecutive monthly improvement in conditions and at the fastest pace since May. Firms were also generally confident that business activity will rise in the next 12 months. Meanwhile, lead times worsened again, though destocking efforts helped to see a slower rise in costs in September.

US added less jobs than expected; ISM-Services edged down slightly; Factory orders rebounded more than expected

- The latest ADP Employment report showed that private sector employment slowed more than forecast to +89k in September (Aug: +180k). September marks the slowest pace of growth since January 2021, showing steepening decline in jobs and a moderation in the labour market. Job stayers also saw a 5.9% y/y pay increase, marking the 12th straight month of slowing growth. By sector, the leisure/hospitality industry led job gains, followed by construction and financial services.
- The ISM Services Index moderated less than expected to 53.6 in September (Aug: 54.5). While the prices index remained stable at 58.9, there has been a pullback in new orders and employment indices. Most respondents, nonetheless, remained positive about business conditions
- Factory orders increased more than expected by +1.2% m/m in August (Jul: -2.1% m/m), supporting views that economic growth remained resilient in 3Q. Of note, orders for computers and electronic products as well as motor vehicles rebounded by 0.3% m/m each, while machinery orders slowed slightly to +0.6% m/m. The report also showed that orders for nondefense capital goods excluding aircraft, which are seen as a measure of business spending plans, increased 0.9% m/m (Jul: -0.4% m/m).
- Mortgage applications decreased 6.0% w/w for the week ending September 29 (Sep 22: -1.3% w/w) to its lowest level since 1996 as mortgage rates continued to climb higher last week. The 30Y fixed mortgage rate increased for the fourth consecutive week to 7.53%, its highest since 2000, pushing an increasing number of potential homebuyers out of the market.

Eurozone's retail sales worsened more than expected, PPI chalked first monthly gain this year on energy

- Eurozone's retail sales worsened more than expected by -1.2% m/m in August (Jul: -0.1% m/m), as consumer spending remained weak on the back of still high inflation. Contributing to the decline was a 3.0% m/m drop in automotive fuels, -1.2% m/m for food, drinks and tobacco and -0.9% m/m for non-food products.

- Driven by a plunge in energy prices, producer price recorded its largest y/y decline in PPI by 11.5% y/y in August (Jul: -7.6% y/y). On a m/m basis, however, prices registered its first positive growth in 2023 by +0.6% m/m (Jul: -0.5% m/m), matching expectations driven by higher energy prices. Stripping this, prices would have fallen 0.2% m/m as prices remained stable for capital and non-durable consumer goods. Prices decreased for durable consumer and intermediate goods.

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
5-Oct	HK S&P Global Hong Kong PMI (Sep)	49.8
	AU Exports MoM (Aug)	-2%
	SI Retail Sales YoY (Aug)	1.10%
	US Challenger Job Cuts YoY (Sep)	266.90%
	US Trade Balance (Aug)	-$65.0b
	US Initial Jobless Claims	204k
6-Oct	JN Labor Cash Earnings YoY (Aug)	1.30%
	JN Household Spending YoY (Aug)	-5.00%
	JN Leading Index CI (Aug P)	108.2
	MA Foreign Reserves	$111.5b
	US Change in Nonfarm Payrolls (Sep)	187k
	US Average Hourly Earnings MoM (Sep)	0.20%
	US Average Weekly Hours All Employees (Sep)	34.4

Source: Bloomberg

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