

5 December 2023

Global Markets Research

Daily Market Highlights

5 Dec: RBA's decision in focus today

Global equity markets took a breather; US treasury yields and DXY rose

Pullback in US factory orders; Tokyo inflation rate cooled more than expected

Expect a hawkish hold from RBA today; home loans picked up; inflation gauge rose m/m

- US equity markets took a breather on Monday, with all the 3 major indices closing in red between 0.1-0.8% d/d. Tech-focused Nasdaq led the way, with Nvidia, Microsoft and Amazon shares all retreating. In corporate news, Hawaiian Airlines shares surged, boosted by a \$1bn takeover by Alaska Airlines. Uber Technologies also rose on news that the ride-hailing firm will join the S&P 500 index while Spotify Technology shares jumped after the streaming giant announced its third round of layoffs this year.
- Mining stocks weighed on Stoxx Eur 600, while major equity indices in Asia also ended lower. With this, Asian stocks are set for losses today as Wall Street retreats.
- Treasury yields rose across the curve led by the front-end on Monday. The 2Y rose 10bps to 4.64%, while the 10Y gained 6bps to 4.25%. 10Y European bond yields closed mixed between -8 to +6bps.
- The DXY regained some grounds and rose 0.4% d/d to 103.71, strengthening against all its G10 peers. European currencies led losses against USD, in tune of 0.4-0.6% d/d, while JPY depreciated by 0.3% d/d. Asian currencies closed mixed, with CNH and SGD depreciating 0.3-0.4% d/d against the Dollar, but MYR strengthened 0.4% d/d to close at 4.6565.
- Oil fell for the third straight session between 1.1-1.4% d/d on persistent skepticism over the effectiveness of OPEC+ supply cuts. In a news update, Saudi Energy Minister has said that OPEC+ cuts can "absolutely" continue past 1Q if needed, while US Deputy Energy Secretary David Turk said that the country is taking advantage of the low prices to refill its strategic reserves.

Pullback in US factory orders

- Factory orders fell more than expected by -3.6% m/m in October (Sep: +2.3% m/m), as weakening demand and high interest rates began to weigh on orders and adding signs to a slower 4Q. The sharp pullback in factory orders partly reflected a 5.4% m/m nosedive in capitals goods orders (Sep: +4.0% m/m), while orders for durable goods was downwardly revised to -0.3% m/m (Sep: -0.2% m/m).

Eurozone's investor confidence improved for the second month

- Sentix Investor Confidence improved for the second month, albeit less than expected and remained negative at -16.8 in December (Nov: -18.6). Both the expectations and current sub-indices recorded upticks and continued to point to mixed signals across the countries in the bloc. German's sentiment and economic recovery, specifically, continued to lag its peers.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	36,204.44	-0.11
S&P 500	4,569.78	-0.54
NASDAQ	14,185.49	-0.84
Stoxx Eur 600	465.78	-0.09
FTSE 100	7,512.96	-0.22
Nikkei 225	33,231.27	-0.60
CSI 300	3,460.14	-0.65
Hang Seng	16,646.05	-1.09
Straits Times	3,084.08	-0.20
KLCI 30	1,451.02	-0.37
FX		
Dollar Index	103.71	0.43
EUR/USD	1.0836	-0.44
GBP/USD	1.2633	-0.61
USD/JPY	147.21	0.27
AUD/USD	0.6620	-0.82
USD/CNH	7.1490	0.35
USD/MYR	4.6565	-0.36
USD/SGD	1.3377	0.31
Commodities		
WTI (\$/bbl)	73.04	-1.39
Brent (\$/bbl)	78.03	-1.08
Gold (\$/oz)	2,024.10	-2.26
Copper (\$\$/MT)	8,443.00	-1.95
Aluminum(\$/MT)	2,182.00	-1.22
CPO (RM/tonne)	3,721.00	0.07

Source: Bloomberg, HLBB Global Markets Research

* Dated as of 1 Dec for CPO

Australia's home loans value expanded at a faster pace; Melbourne Institute's inflation gauge remained elevated

- The Melbourne Institute Inflation gauge moderated for the third month to +4.4% y/y in November (Oct: +5.1% y/y). Price pressures remained in check although prices accelerated to +0.3% on a m/m basis (Oct: -0.1% m/m). Still elevated inflation pressures will keep policy makers on their toes when they meet today and expectations are that the RBA will decide on a hawkish hold at 4.35%. The central bank will also be on alert for demand-fuelled inflation going forward.
- Home loans value grew at a faster than expected pace at +5.4% m/m in October (Sep: +1.5% m/m), as lending for both owner-occupier and investor loans picked up. As it is, growth in number and value for the former has been relatively strong since February 2023, reflecting rising prices and demand for housing.
- Data this morning showed that the final Judo Bank Australia Services PMI was revised downwards by 0.3ppts to 46.0 in November (Oct: 47.9). This marked a second successive month of decline and the sharpest pace since at least September 2021 as softening economic conditions and high interest rates dampened demand during the month. Foreign demand was also muted. That said, Australian service providers continued to expand their workforce capacity.

Tokyo's inflation rate slowed more than expected, in line with BOJ's cooling view

- Tokyo's inflation rate eased more than expected to +2.6% y/y in November (Oct: +3.2% y/y), while core excluding fresh food decelerated to its slowest pace in a year at +2.3% y/y. The latest data supports BOJ's view that prices will cool and the bank's wait and see stance for other signs of wage-pushed inflation. As it is, cost-push pressures have peaked, while weaker consumer demand has weighed down on prices across the board. The effects from the gasoline and utility subsidies also helped to push overall inflation down.

House View and Forecasts

FX	This Week	4Q-23	1Q-24	2Q-24	3Q-24
DX	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
5-Dec	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
	AU GDP SA QoQ (3Q)	0.40%
6-Dec	EC Retail Sales MoM (Oct)	-0.30%
	US MBA Mortgage Applications	0.30%
	US ADP Employment Change (Nov)	113k
	US Trade Balance (Oct)	-\$61.5b
	US Unit Labor Costs (3Q F)	-0.80%

Source: Bloomberg

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