6 November 2023

Global Markets Research

Daily Market Highlights

6 Nov: Extended market rally amid disappointing US data

Global equities and sovereign bonds saw extended rally; DXY slipped to 105s
Disappointing US jobs and services data dampened Fed rate hike prospects
Weaker PMI readings globally signalled a still bleak outlook for 4Q

- Global financial markets continued to strike a bid tone as disappointing US nonfarm job data continued to pare odds of a December Fed rate hike. Market pricing for a December hike dwindled sharply to a mere 5%, from about 20% a day earlier. The three benchmark US equity indices further advanced by 0.7-1.4% d/d led by financials, communication services and materials. In earlier European and Asian trading sessions, stocks also traded in the green following through from the dovish-pause rhetoric from FOMC and BOE. Futures are pointing to higher opening in Asia markets today amid spillover from the risk-on sentiments.
- Global bonds also experienced another day of gains, pushing yields further down from historical high levels. The UST curve shifted down by 3-15bps across the curve led by the front end, bull steepening the curve. The benchmark 2Y UST yields plunged 15bps to 4.84% while the 10s lost 9bps to 4.57%, both at their lowest in 3 and 1.5 months respectively. 10Y European sovereign bond yields also fell to the tune of 15bps.
- The Dollar Index saw another day of broad selloff to the 105 handle, its weakest in six weeks, as the USD fell against all G10s and major Asian currencies, the most vs the SEK (2.0%), NZD (1.7%) and GBP (1.5%). In the Asian space, KRW, PHP, IDR and SGD led the gainers, while the CNH and MYR clocked in 0.5% gains. The MYR was seen regaining grounds, back to its strongest footing in three weeks at 4.7292 as of last Friday's close, and is well-poised to test 4.70-4.71s next.
- The global crude oil markets lost a further 2.0% on Friday, with the WTI and Brent crude last settled at $80.89 and $85.23/ barrel respectively. Reducing risk premium with the Israel-Hamas standoff, coupled with a EIA report showing higher inventory build for the second straight week, all works against the crude oil.

Fewer than expected nonfarm job gains added to signs of a softening labour market

- US nonfarm sector added a mere 150k jobs in October, almost half the 297k jobs created in September and below consensus estimate for a 180k gain. This came on the back of sharply lower job addition in the private sector and bigger than expected decline in manufacturing skewed by union strikes against the big three auto makers. Adding on to the softer job market outlook were two-month net revision was trimmed by 101k, and the jobless rate unexpectedly inched up to 3.9% (Sept: 3.8%). The only comfort probably came from the slightly slower average hourly earnings growth of 0.2% m/m and +4.1% y/y in October (Sept: +0.3% m/m and +4.3% y/y upwardly revised), that somewhat dampened wage-price-spiral expectations, as the labour market slows.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	34,061.32	0.66
S&P 500	4,358.34	0.94
NASDAQ	13,478.28	1.38
Stoxx Eur 600	444.24	0.17
FTSE 100	7,417.73	-0.39
Nikkei 225	31,949.89	1.10
CSI 300	3,584.14	0.84
Hang Seng	17,664.12	2.52
Straits Times	3,143.66	1.98
KLCI 30	1,449.93	0.71
FX		
Dollar Index	105.07	-1.02
EUR/USD	1.0731	1.03
GBP/USD	1.2380	1.45
USD/JPY	149.39	-0.70
AUD/USD	0.6513	1.23
USD/CNH	7.2888	-0.52
USD/MYR	4.7270	-0.49
USD/SGD	1.3543	-0.77
Commodities		
WTI ($/bbl)	80.89	-1.93
Brent ($/bbl)	85.23	-1.99
Gold ($/oz)	1,999.90	0.33
Copper ($$/MT)	8,168.50	-0.13
Aluminum($/MT)	2,256.50	0.98
CPO (RM/tonne)	3,651.50	1.26

Source: Bloomberg, HLBB Global Markets Research
** Dated as of 2 Nov for CPO*

Services readings signalled still bleak growth outlook in October

- ISM and PMI services both disappointed. The official ISM services weakened more than expected to 51.8 in October (Sept: 53.6), signalling its slowest expansion in seven months. The weaker momentum was broad-based, led by a sharp deterioration in new export orders (48.8 vs 63.7). In line with the softer job market data, the employment index also pulled back to 50.2 (Sept: 53.4), but prices paid tapered off only modestly from 58.9 to 58.6 during the month, reaffirming elevated inflation outlook. On the contrary, the final PMI services print rose less than initially estimated to 50.6 (Sept: 50.1), but still remained in expansion for the last three months.
- Final print of UK PMI services showed a slight uptick to 49.5 in October (Sept: 49.3), defying preliminary estimate for a pullback to 49.2. This however did little to change the underlying weakness where the gauge has been contracting for the last three consecutive months. Business outlook remains weak with new business fell deeper into contractionary level, to mark its worst since Nov-22.
- China Caixin PMI services inched up to 50.4 in October (Sept: 50.2), remaining in expansionary level for the 10th straight month. However, the uptick was much smaller than expected, and taken together with the surprised contraction in the official reading, suggest the recovery in the China economy remains fragile.
- On the contrary, Hong Kong PMI pulled back sharply to 48.9 in October, from 49.6 in September, marking its lowest print since Nov-22, as a pullback in output overshadowed an increase in new orders. This underscored challenges in the China- and externa; dependent Hong Kong economy.
- Singapore PMI showed a slower expansion in October (53.7 vs 54.2), implying slower overall economic activities as output and new orders all weakened.

Eurozone unemployment rate unexpectedly climbed up to 6.5% in October

- Unemployment rate staged a surprised uptick to 6.5% in September (Aug: 6.4%), but has been hovering at the record low of 6.4-6.5% in the last seven months, suggesting some stabilization in the labour market.

Singapore retail sales weakened more than expected in September

- Retail sales softened more than expected and barely grew 0.6% y/y in September (Aug: +4.2% y/y), while sales ex-also pulled back drastically from +4.0% to +0.5% y/y. This marked its smallest gain in eight months, as declines in petrol service stations, furniture & household equipment, recreational goods, watches & jewelry, computer & telecommunication equipment, all exerted a drag, negating growth in department stores, supermarkets, and the double-digit gains in food & alcoholic.

House View and Forecasts

FX	This Week	4Q-23	1Q-24	2Q-24	3Q-24
DXY	104-108	107	107	106	105
EUR/USD	1.04-1.08	1.04	1.04	1.04	1.05
GBP/USD	1.21-1.24	1.20	1.20	1.20	1.21
USD/JPY	148-152	150	147	144	141
AUD/USD	0.63-0.66	0.64	0.65	0.66	0.67
USD/MYR	4.71-4.78	4.74	4.69	4.65	4.60
USD/SGD	1.35-1.38	1.38	1.37	1.35	1.34

Rates, %	Current	4Q-23	1Q-24	2Q-24	3Q-24
Fed	5.25-5.50	5.50.5.75	5.50-5.75	5.50-5.75	5.25-5.50
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	4.10	4.10	4.10	4.10	3.83
BNM	3.00	3.00	3.00	3.00	3.00

Source: HLBB Global Markets Research

Up Next

Date	Events	Prior
6-Nov	AU Melbourne Institute Inflation YoY (Oct)	5.70%
	JN PMI Services (Oct F)	51.1
	EC Services PMI (Oct F)	47.8
	EC Sentix Investor Confidence (Nov)	-21.9
	UK Construction PMI (Oct)	45
7-Nov	JN Labor Cash Earnings YoY (Sep)	1.10%
	JN Household Spending YoY (Sep)	-2.50%
	AU RBA Cash Rate Target (Nov)	4.10%
	MA Manufacturing Sales Value YoY (Sep)	-3.30%
	MA Industrial Production YoY (Sep)	-0.30%
	MA Foreign Reserves (31-Oct)	$108.9b
	EC PPI YoY (Sep)	-11.50%
	US Trade Balance (Sep)	-$58.3b
	CH Exports YoY (Oct)	-6.20%

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

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