

7 August 2023

Global Markets Research

Daily Market Highlights

7 Aug: US job gains came below expectations

NFP below 12-month average; 2-month net revision -49k; Unemployment rate fell to 3.5%

S&P 500 closed lower for the 4th day; UST yields pulled back; DXY weakened

RBA: Inflation to reach target range in 2025, Cash rate to peak at around 4.25%

- The S&P 500 and Nasdaq Composite slumped for its fourth session, with the S&P 500 and Nasdaq shedding 0.5% d/d and 0.4% d/d respectively, while the Dow Jones Industrial Average also lost 0.4% d/d. Stocks initially rallied after the NFP headlines, but spillover from the disappointing Apple earnings overshadowed Amazon's beat, sending the markets to make a U-turn. Europeans and Asian markets were slightly higher on Friday to close off a downbeat week. Stoxx Eur 600 and FTSE 100 closed up between 0.3%-0.5% d/d, while Nikkei 225 and Hang Seng gained 0.1% d/d and 0.6% d/d each.
- 10Y UST yields pulled back from its multi-month high as the lower-than-expected NFP data triggered the bond market to correct from its post-Fitch sell-off. The 10Y yield declined 14bps to 4.03%, while the 2Y fell 12bps to 4.76%. 10Y European bond yields fell between 3-9bps, save the Norwegian and Swedish government bonds which rose 2bps each.
- DXY fell to a low of 101.74, but pared some of its losses to close at 102.02 or 0.5% d/d lower. G10 currencies closed mostly stronger against USD but regional currencies closed mixed. EUR, GBP and JPY strengthened between 0.3%-0.6% d/d, while MYR and SGD also appreciated in tune of 0.1% d/d each to close at 4.5540 and 1.3395. CNH was the outlier, weakening 0.1% d/d.
- Oil prices rose more than a dollar/barrel or up between 1.3%-1.6% d/d after Saudi Arabia and Russia extended their supply cuts earlier in the week. In a news update, OPEC+ signalled that it will stay the course and recommend no change in the coalition's supply policy after Saudi's cut.

US NFP rose less than expected, below 12-month average; unemployment rate fell to 3.5%

- Gains in non-farm payroll (NFP) rose less than expected by 187k in July (June: 185k), while the two-month net revision was -49k. July's data was less than the average monthly gain of 312k over the prior 12 months, with job gains led by health care, social assistance, financial activities, and wholesale trade. In tandem with this, the unemployment rate unexpectedly edged down to 3.5% (June: 3.6%), while labor force participation rate held at 62.6%, the fifth straight month at that level. Average hourly earnings, a key figure as the Federal Reserve fights inflation, also held steady at +0.4% m/m, good for a 4.4% y/y growth, but the average weekly hours fell slightly to 34.3 (June: 34.4). Tentative signs of a softening labour market is expected to bolster expectations the Fed would stay the course and end its current policy tightening cycle.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	35,065.62	-0.43
S&P 500	4,478.03	-0.53
NASDAQ	13,909.24	-0.36
Stoxx Eur 600	459.28	0.29
FTSE 100	7,564.37	0.47
Nikkei 225	32,192.75	0.10
Hang Seng	19,539.46	0.61
Straits Times	3,292.39	-0.35
KLCI 30	1,445.21	0.23
FX		
Dollar Index	102.02	-0.51
EUR/USD	1.1006	0.52
GBP/USD	1.2749	0.31
USD/JPY	141.76	-0.58
AUD/USD	0.6570	0.29
USD/CNH	7.1879	0.08
USD/MYR	4.5540	-0.03
USD/SGD	1.3395	-0.11
Commodities		
WTI (\$/bbl)	82.82	1.56
Brent (\$/bbl)	86.24	1.29
Gold (\$/oz)	1,939.60	0.39
Copper (\$\$/MT)	8,573.00	-0.44
Aluminum(\$/MT)	2,232.50	0.11
CPO (RM/tonne)	3,797.00	-1.29

Source: Bloomberg, HLBB Global Markets Research

* Dated as of 3 Aug for CPO

Eurozone's retail sales turned contractionary amid higher costs of living

- Retail sales worsened more than expected and turned contractionary at -0.3% m/m in June (May: +0.6% m/m) led by the food, drink and tobacco segment. Higher costs of living is expected to continue undermine consumer spending going forward.

RBA: Inflation to reach target range in 2025; Cash rate to peak at around 4.25%

- Key highlights from the latest statement of monetary policy: 1) Inflation is forecast to decline to around 3.8% by the end of 2024 and back within the 2–3% target range in late 2025. 2) GDP is projected to average 1.5% and 1.3% for 2023 and 2024 (Previous forecast: +1.8% and 1.5%). 3) Forecasts are based on the assumption that the cash rate peaks at around 4.25% before declining to around 3.75% by the end of 2025. 4) Unemployment rate is expected to start picking up gradually to reach 4.3% by late 2024. The less upbeat growth assessment and guidance of peak rate at 4.25% implied there is limited room for further RBA hikes, potentially with just another 25bps to go this year.

Singapore's retail sales unexpectedly moderated

- Retail sales unexpectedly softened to +1.1% y/y in June (May: +1.8% y/y) and fell deeper into contraction to -0.8% m/m (May: -0.2% m/m). The main driver of growth was the still robust food & alcohol industry, due mainly to higher demand for alcoholic products (including those sold in duty free shops). Similarly, sales growth for computer & telecommunications equipment and optical goods & books also accelerated. In contrast, petrol service stations recorded double-digit y/y contraction due to lower petrol prices. Sales of motor vehicles also fell.

House View and Forecasts

FX	This Week	3Q-23	4Q-23	1Q-24	2Q-24
DXY	100-104	102	101	100	99
EUR/USD	1.08-1.11	1.11	1.12	1.14	1.12
GBP/USD	1.25-1.29	1.29	1.31	1.33	1.30
USD/JPY	139-144	141	139	136	133
AUD/USD	0.64-0.67	0.67	0.68	0.68	0.69
USD/MYR	4.48-4.58	4.69	4.64	4.60	4.55
USD/SGD	1.32-1.36	1.35	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	5.25-5.50	5.00-5.25	4.50-4.75
ECB	4.25	4.25	4.25	4.25	4.00
BOE	5.25	5.50	5.50	5.50	5.00
BOJ	-0.10	-0.10	-0.10	-0.10	-0.10
RBA	4.10	4.35	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
7-Aug	JN Leading Index CI (Jun P)	109.2
	MA Foreign Reserves	\$111.8b
	EC Sentix Investor Confidence (Aug)	-22.5
8-Aug	US Consumer Credit (Jun)	\$7.240b
	JN Household Spending YoY (Jun)	-4.00%

JN Labor Cash Earnings YoY (Jun)	2.50%
JN Bank Lending Incl Trusts YoY (Jul)	3.20%
AU Westpac Consumer Conf Index (Aug)	81.3
AU NAB Business Confidence (Jul)	0
MA Manufacturing Sales Value YoY (Jun)	3.30%
MA Industrial Production YoY (Jun)	4.70%
JN Eco Watchers Survey Outlook SA (Jul)	52.8
US NFIB Small Business Optimism (Jul)	91
US Trade Balance (Jun)	-\$69.0b
US Wholesale Trade Sales MoM (Jun)	-0.20%
US Wholesale Inventories MoM (Jun F)	-0.30%
CH Exports YoY (Jul)	-12.40%
CH Imports YoY (Jul)	-6.80%

Source: Bloomberg

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