

7 December 2023

## Global Markets Research

### Daily Market Highlights

## 7 Dec: US private sector hiring unexpectedly slowed

**Rally in Treasuries intensified; DXY held firm on expectations that ECB will out-dove FOMC**  
**Eurozone's retail sales swung to growth; Australia's 3Q GDP unexpectedly slowed**  
**Crude oil prices plunged to its lowest since June despite lower US inventories**

- US equity indices wavered between gains and losses before closing the day near their lows and between -0.2% to -0.6% d/d. While technology stocks weighed on the broader market, travel stocks, like airlines and cruise operators outperformed, a sign that the dismal ADP Employment data released during the day did not dampen hopes for a soft landing for consumer spending.
- European markets closed higher, rebounding from mixed trade seen earlier in the week. Germany's DAX extended its record high, while travel group Tui jumped 15.6% d/d on an encouraging guidance. Major Asian markets rebounded following a broad sell-off on Tuesday.
- The rally in Treasuries intensified after fresh data showed that private sector hiring in the US unexpectedly slowed and dragged the 10Y yield down to its lowest since August (-6bps to 4.10%). The 2Y, nonetheless, closed up 2bps to 4.59%. 10Y European sovereign bond yields slid between 1-9bps.
- DXY held firmly above the 104-handle for the second day on increasing expectations that the ECB will out-dove the FOMC with rate cuts in 2024. DXY closed up 0.1% d/d at 104.15, while European currencies depreciated in tune to 0.3% d/d. In Asia, CNH, JPY, SGD and MYR closed slightly weaker against the Dollar.
- Crude oil prices fell to its lowest levels since June, with the West Texas Intermediate sliding 4.1% d/d to \$69.38/barrel and Brent down 3.8% d/d to \$74.30/barrel amidst continued concerns over swelling global supplies. Even the EIA report that showed US crude inventories falling by 4.6m barrels couldn't arrest the oil's slide.

#### Private sector hiring unexpectedly slowed in the US

- November saw moderate growth in hiring and another slowdown in pay gains. The ADP Employment Report showed that gains in private sector employment unexpectedly slowed to +103k in November (Oct: +106k), with both goods and services seeing weaknesses. Notably, the leisure & hospitality as well as the manufacturing sectors posted declines. Restaurants and hotels were the biggest job creators during the post-pandemic recovery, but that boost appeared to be behind us, and the return to trend for the sector suggests a more moderate hiring and wage pace in 2024 for the economy as a whole.
- Worker productivity grew faster than initially thought in 3Q, and thus, putting more downward pressure on labour costs, a trend that if sustained could contribute to lower inflation. Nonfarm productivity was revised up by 0.5ppts to +5.2% q/q (2Q: +3.6% q/q) and consequently, unit labour costs fell at a faster pace of 1.2% q/q (Initial estimate: -0.8% q/q and 2Q: +2.6% q/q).

#### Key Market Metrics

	Level	d/d (%)
<b>Equities</b>		
Dow Jones	36,054.43	-0.19
S&P 500	4,549.34	-0.39
NASDAQ	14,146.71	-0.58
Stoxx Eur 600	470.06	0.52
FTSE 100	7,515.38	0.34
Nikkei 225	33,445.90	2.04
CSI 300	3,399.60	0.16
Hang Seng	16,463.26	0.83
Straits Times	3,087.24	0.33
KLCI 30	1,445.82	-0.25
<b>FX</b>		
Dollar Index	104.15	0.10
EUR/USD	1.0764	-0.31
GBP/USD	1.2560	-0.28
USD/JPY	147.31	0.11
AUD/USD	0.6549	-0.05
USD/CNH	7.1742	0.01
USD/MYR	4.6690	0.06
USD/SGD	1.3421	0.07
<b>Commodities</b>		
WTI (\$/bbl)	69.38	-4.07
Brent (\$/bbl)	74.30	-3.76
Gold (\$/oz)	2,030.50	0.59
Copper (\$\$/MT)	8,286.00	-0.58
Aluminum(\$/MT)	2,148.50	-0.53
CPO (RM/tonne)	3,654.50	-0.91

Source: Bloomberg, HLBB Global Markets Research  
 \* Dated as of 5 Dec for CPO

- Mortgage applications grew at a faster pace of +2.8% w/w for the week ended December 1 (Nov 24: +0.3% w/w). Refinance applications saw the strongest week in two months and increased on a y/y basis for the second week as the 30Y fixed-rate mortgage slid to 7.17%, its lowest level since August 2023. Purchase applications remained lower y/y, held back by low inventory and still-challenging affordability conditions.
- Trade deficit widened more than expected and for the second month to \$64.3bn in October (Sep: -\$61.2bn) as exports fell 1.0% m/m while imports edged up by 0.2% m/m (Oct: +2.3% m/m and +2.7% m/m). Exports were weighed down by weaker demand for consumer goods and automotive vehicles, parts, & engines, while the increase in imports reflected an increase in capital goods. The outlook for trade flows remains one of moderation in the near term given the soft trajectory for demand and growth globally.

#### **Eurozone retail sales swung to growth, but less than expected**

- Retail sales rebounded less than expected by 0.1% m/m in November, ending a 3-month of losing streak. The uptick was driven by demand for non-food products and sales in Croatia, the Netherlands and Slovakia. The data does not change our view that consumer spending remains soft overall, especially amongst the largest economies and we expect the ECB to maintain its key policy rates unchanged next week.

#### **Australia's 3Q GDP unexpectedly slowed to +0.2% q/q**

- 3Q GDP unexpectedly slowed to +0.2% q/q (2Q: +0.4% q/q) as consumer spending growth was flat on the back of rising borrowing costs while exports detracted from growth. Government spending and capital investment were the main drivers during the quarter, but with growth slowing over 2023, the data will likely ease concerns over demand-driven inflation and the RBA will most likely maintain the status quo for a while in order to assess the economy.

#### **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
7-Dec	JN Leading Index CI (Oct P)	108.9
	MA Foreign Reserves	\$110.5b
	EC GDP SA QoQ (3Q F)	-0.10%
	EC Employment QoQ (3Q F)	0.30%
	US Challenger Job Cuts YoY (Nov)	8.80%

8-Dec	US Initial Jobless Claims	218k
	CH Exports YoY (Nov)	-6.40%
	US Consumer Credit (Oct)	\$9.057b
	JN Labor Cash Earnings YoY (Oct)	1.20%
	JN Household Spending YoY (Oct)	-2.80%
	JN GDP Annualized SA QoQ (3Q F)	-2.10%
	JN Bank Lending Ex-Trusts YoY (Nov)	3.10%
	JN Eco Watchers Survey Outlook SA (Nov)	48.4
	UK BoE/Ipsos Inflation Next 12 Mths (Nov)	3.60%
	US Change in Nonfarm Payrolls (Nov)	150k
	US Average Hourly Earnings MoM (Nov)	0.20%
	US Average Weekly Hours All Employees (Nov)	34.3
	US U. of Mich. Sentiment (Dec P)	61.3
	US U. of Mich. 1 Yr Inflation (Dec P)	4.50%
	US U. of Mich. 5-10 Yr Inflation (Dec P)	3.20%

Source: Bloomberg

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