

8 September 2023

## Global Markets Research

### Daily Market Highlights

## 8 Sep: BNM maintained OPR at 3.00%

**BNM dropped the “slightly accommodative” phrase; expect no change for the rest of 2023**

**US initial jobless claims fell to its lowest in 7 months; stoking rate hike fears**

**China’s trade continued to contract albeit at smaller pace; CNH weakened further**

- The S&P 500 and Nasdaq fell, with Apple leading declines in megacap growth stocks while lower-than-expected initial jobless claims data stoked worries about the interest rate path. Apple dropped 2.9% d/d after China’s iPhone curbs and spilled over to its suppliers and other megacap tech stocks. Initial jobless claims, meanwhile, fell to its 7-month low, adding to concerns about a tight labour market and sticky inflation, and thus, the fed funds rate path. The tech-heavy Nasdaq sold off 0.9% d/d, while the S&P 500 slipped 0.3% d/d. The Dow Jones Industrial Average, on the other hand, added 0.2% d/d.
- Apple supplier STMicroelectronics NV and other European chipmakers also closed lower, dragging Stoxx Eur 600 down 0.1% d/d. Sentiment was also dampened by data showing that the European economy barely grew in 1Q and Germany’s IPI declined again in July. FTSE 100, meanwhile, gained 0.2% d/d. Denting sentiment in the Asian markets was the slump in China’s trade data, albeit better than expected. Hang Seng and CSI 300 slipped between 1.3-1.4% d/d, while Nikkei 225 fell 0.8% d/d.
- Treasuries rallied and yields closed near its lows despite an earlier sell-off post the jobless claims data. The 2Y fell 7bps to 4.95%, while the 10Y declined 4bps to 4.24%. 10Y European bond yields fell between 4-8bps, with the exception of the Swedish and Norwegian bonds which edged up by 2bps each.
- DXY eked out a modest 0.2% d/d gain, closing firmly at 105.06. This is the first time the index closed above the 105-handle since March 9, supported by the tight labour market data. European currencies weakened to a tune of 0.3% d/d, while CNH led losses in the Asian region. CNH closed 0.3% d/d weaker at 7.3422 after slumping to as low as 7.3459 earlier in the day, its lowest since December 2007. Traders continued to be on intervention watch as JPY continued to struggle at the 147-handle. The currency nonetheless closed 0.2% d/d stronger at 147.30. MYR and SGD posted mild depreciation by 0.1-0.2% d/d to close at 4.6770 and 1.3658.
- Oil pulled back despite the Saudi Arabia and Russia supply cut, and after data showed inventories at the Cushing, Oklahoma hub dropping to its lowest since December. Both the WTI and Brent fell by 0.8% d/d each, retreating back below \$90/barrel.

#### Key Market Metrics

	Level	d/d (%)
<b>Equities</b>		
Dow Jones	34,500.73	0.17
S&P 500	4,451.14	-0.32
NASDAQ	13,748.83	-0.89
Stoxx Eur 600	453.67	-0.14
FTSE 100	7,441.72	0.21
Nikkei 225	32,991.08	-0.75
Hang Seng	18,202.07	-1.34
Straits Times	3,226.59	0.12
KLCI 30	1,460.07	-0.04
<b>FX</b>		
Dollar Index	105.06	0.19
EUR/USD	1.0696	-0.29
GBP/USD	1.2472	-0.28
USD/JPY	147.30	-0.24
AUD/USD	0.6376	-0.09
USD/CNH	7.3422	0.29
USD/MYR	4.6770	0.03
USD/SGD	1.3658	0.16
<b>Commodities</b>		
WTI (\$/bbl)	86.87	-0.77
Brent (\$/bbl)	89.92	-0.75
Gold (\$/oz)	1,924.10	-0.09
Copper (\$\$/MT)	8,321.00	-0.60
Aluminum(\$/MT)	2,196.00	0.11
CPO (RM/tonne)	3,805.50	-1.01

Source: Bloomberg, HLBB Global Markets Research

\* Dated as of 6th Sept for CPO

### **BNM maintained the OPR at 3.00% as expected amid moderating growth and inflation outlook**

- At its September MPC meeting, BNM maintained the OPR at 3.00% as widely expected, amid moderating domestic growth and inflation outlook. Today's policy statement closely mirrored the July's statement, with only slight tweaks in reference to global trade, E&E cycle, decline in commodity production, and degree of persistence in core inflation. The biggest takeaway, in our view, is that BNM has dropped the "slightly accommodative" phrase, highlighting that the prevailing OPR level is consistent with the current assessment of the inflation and growth outlook, which remains supportive of the economy. This reaffirmed our view for an extended pause in the OPR at 3.00% for the rest of the year,
- Malaysia's foreign reserved edged up by \$0.3bn in 2H of Aug to \$112.5bn as of end-Aug. (15 Aug: -\$0.7bn). This is sufficient to finance 5.2 months of imports of goods and services, and is 1.0 time of the total short-term external debt.

### **Initial jobless claims in the US fell to its lowest since February**

- Jobless claims fell more than expected by 13k to its lowest level in 7 months at 216k for the week ended Sep 2 (Aug 26: -3k). Continuing claims also declined 40k to 1679k for the week ended Aug 29 (Aug 19: +22k). This data is a reminder that while labour conditions may be cooling, the labour market remained resilient and tight.
- The final labour productivity growth data was revised downwards by 0.2ppts to +3.5% q/q in 2Q (1Q: -1.2% q/q), but growth for unit labor costs was revised upwards by 0.6ppts to +2.2% q/q (1Q: +3.3% q/q).

### **Eurozone's final 2Q GDP revised downwards to +0.1% q/q**

- The final 2Q GDP was revised downwards by 0.2ppts to +0.1% q/q in 2Q (1Q: +0.1% q/q) as a dismal export performance (-0.7% q/q vs. 1Q: 0) and weakness in the German and Italian economies weighed on overall growth. Separate data also showed that employment growth slowed to +0.2% q/q for the same quarter, unchanged from its previous estimate (1Q: +0.5% q/q). This data will add pressure for the ECB to maintain its policy rates unchanged when they meet this month.

### **Australia's trade surplus narrowed on lower exports**

- Australia's trade surplus narrowed more than expected to A\$8.0bn in July (June: A\$10.3) as exports of natural resources fell while imports climbed. Overall exports contracted 2.0% m/m led by declines in shipment of metal ores & minerals; coal, coke & briquettes as well as other mineral fuels. Imports, meanwhile, gained 2.5% m/m (driven by non-industrial transport equipment. As it is, demand for Australian goods has largely been driven by China, especially for iron ore and coal, and thus, the housing crisis for China could cloud Australia's exports outlook going forward.

### **Japan's leading index fell for the second month; final 2Q GDP lowered by 1.2ppt to +4.8% annualized q/q**

- The Leading Index worsened for the second month, falling more than expected to 107.6 in July (June: 108.8). Leading the m/m decline again were floor area, housing starts as well as small businesses sales forecast. Meanwhile, there is no change to the assessment of the coincident index, seen as "improving".

- Separate data showed that nominal labour cash earnings unexpectedly eased for the second month to +1.3% y/y in July (June: +2.3% y/y), but bank lending accelerated to +3.1% y/y (June: +2.9% y/y).
- The final 2Q GDP was revised downwards by 1.2ppts to +4.8% annualized q/q (1Q: +3.2% annualized q/q) after a weaker capital spending. Consumer spending also fell at a slightly wider pace than initially estimated. The weaker result points to the need for central bank to maintain its ultra easy policy.

#### Contraction in China's trade data narrowed

- The contraction in China's exports and imports narrowed more than expected to -8.8% y/y and -7.3% y/y respectively in Aug (Jul: -14.5% y/y and -12.4% y/y). While slower global growth and trade restrictions from the US continued to weigh on exports and a slump in the property market and lacklustre consumer spending to weigh on domestic demand, the smaller drop in trade data suggests that demand may be bottoming soon.

#### House View and Forecasts

FX	This Week	3Q-23	4Q-23	1Q-24	2Q-24
DX	101-105	102	101	100	99
EUR/USD	1.07-1.10	1.11	1.12	1.14	1.12
GBP/USD	1.25-1.29	1.29	1.31	1.33	1.30
USD/JPY	142-147	141	139	136	133
AUD/USD	0.63-0.67	0.67	0.68	0.68	0.69
USD/MYR	4.57-4.66	4.69	4.64	4.60	4.55
USD/SGD	1.33-1.37	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	4.10	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
8-Sep	JN Eco Watchers Survey Outlook SA (Aug)	54.1
	US Wholesale Trade Sales MoM (Jul)	-0.70%
11-Sep	MA Manufacturing Sales Value YoY (Jul)	-4.00%
	MA Industrial Production YoY (Jul)	-2.20%
	EC EU Commission Economic Forecasts	
11-18 Sep	CH FDI YTD YoY CNY (Aug)	-4.00%
11-29 Sep	EC OECD Publishes Economic Outlook	
11-15 Sep	CH Aggregate Financing CNY (Aug)	528.2b

Source: Bloomberg

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