8 November 2023

Global Markets Research

Daily Market Highlights

8 Nov: DXY advanced for a second straight day

Global equities ended mixed; bond yields retreated while DXY continued to advance

Fed speaks remained hawkish; saying inflation remained high; need more time to assess

China exports disappointed and sparked growth concerns

- The three major US stock indices continued to eke out small gains while bonds rebounded from Monday's corrective move lower, pushing yields down again. Several Fed speaks turned out hawkish still despite last week's dovish pause and data weakness seen in the labour and services sectors. Fed Logan said inflation still remains too high. Fed Waller said the spike in yields was an "earthquake" for the bond market, while Fed Bowman said it was too soon for policy makers to know the full effects of the recent rise. Earlier in European and Asian sessions, stocks ended in the red as weaker than expected China exports stoke fear growth in the economic giant is cooling much more than expected. Futures are pointing to mixed openings in the Asia markets today.
- Global bonds rebounded and drove yields lower again by and large. The UST curve shifted lower by 2-9bps across the curve led by the long ends, bull flattening the curve. 10Y European bond yields also fell about 8-10bps with the German bunds losing 8bps to 2.66% while the UK gilts shed 10bps to 4.27%.
- The Dollar Index continued its steady climb higher for the 2nd straight day, but close a tad off its intraday high of 105.78 at 105.50, up another 0.2% d/d. The greenback strengthened against all G10s and major Asian currencies. The NOK and AUD weakened the most while the EUR, GBP, and JPY saw more modest gain of 0.2-0.4%. In the Asian space, KRW and IDR led losers, followed by the MYR (-0.6%), which corrected from the massive 1.8% gain a day earlier which had pushed the USD/ MYR pair into oversold position after the sharp move lower on Monday. CNY meanwhile advanced less than 0.1% to 7.2812 while the SGD weakened 0.3% d/d to 1.3544.
- The global crude oil prices fell more than 4.0% on Tuesday, with the WTI and Brent crude last settling at $77.13 (first dip below $80/ barrel since end August) and $81.52/ barrel respectively. A API report showed US crude inventories rose 11.9m barrels last week, spurring oversupply concerns.

RBA raised rates by 25bps to 4.35% as expected; likely the last for current cycle

- RBA hiked again after pausing in the last four consecutive meetings, bringing the cash target rates up another 25bps to 4.35%, its highest in 12 years. RBA said the hike is to be more assured that inflation will fall back to the 2% target in a more reasonable timeframe. However, any further move will be data dependent and subject to the evolvement of risk. We opine this would be the last hike by the RBA in this cycle and expect no further increase from the current 4.35%.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	34,152.60	0.17
S&P 500	4,378.38	0.28
NASDAQ	13,639.86	0.90
Stoxx Eur 600	442.81	-0.16
FTSE 100	7,410.04	-0.10
Nikkei 225	32,502.55	0.71
CSI 300	3,619.76	-0.35
Hang Seng	17,670.16	-1.65
Straits Times	3,173.81	-0.21
KLCI 30	1,463.37	-0.09
FX		
Dollar Index	105.52	0.25
EUR/USD	1.0700	-0.17
GBP/USD	1.2300	-0.36
USD/JPY	150.37	0.20
AUD/USD	0.6436	-0.82
USD/CNH	7.2812	-0.02
USD/MYR	4.6700	0.58
USD/SGD	1.3544	0.28
Commodities		
WTI ($/bbl)	77.13	-4.68
Brent ($/bbl)	81.41	-4.46
Gold ($/oz)	1,975.60	-0.46
Copper ($$/MT)	8,195.00	-0.63
Aluminum($/MT)	2,277.00	-0.39
CPO (RM/tonne)	3,632.50	-0.82

Source: Bloomberg, HLBB Global Markets Research
** Dated as of 6 Nov for CPO*

US trade deficit widened more than expected on quicker import gains

- Trade deficit in the US widened more than expected to $61.5bn in September (Aug: -$58.7bn), but remaining at 3-year low levels. Exports (+2.2% m/m) rose at a slower pace than imports (+2.7% m/m), leading to the 4.9% m/m increase in trade shortfall, as deficit with China widened slightly. Meanwhile, the faster gain in imports suggests the American's demand for overseas goods remained robust, a sign of a still healthy domestic demand in the US.
- A separate release this morning showed consumer credit turned around to increase $9.06bn in September, rebounding from the $15.8bn decline in August. This was due to continued increase in revolving credit (credit cards) and a rebound in non-revolving credit (student and auto loans), reflecting continuous consumer spending.

Bigger than expected decline in China exports heightened growth concerns

- China exports fell at a much bigger than expected pace of 6.4% y/y in October (Sept: -6.2% y/y). This marked its 6th straight months of contraction as exports to all major markets remained weak, sparking worries growth in the China economy is turning out weaker than expected. Imports on the other hand, surprised on the upside with an unexpected rebound to grow 3.0% y/y (Sept: -6.3% y/y), offering some positive signals domestic demand is on the mend.

Continued mild decline in September IPI

- Malaysia IPI continued to register a mild decline of 0.5% y/y in September (Aug: -0.3% y/y), dragged by decline in mining output despite a marginal rebound in manufacturing production (+0.4% vs -0.6% y/y). Domestic oriented sectors saw quicker growth (+5.9% vs +4.2% y/y), while export oriented sectors continued to contract, albeit at a slower rate (-2.0% vs -2.6% y/y). Outlook of the overall IPI will remain soft, in line with the continued contraction seen in global PMIs. In a separate release, manufacturing sales fell for the 4th straight month, by 1.9% y/y, confirming underlying weakness in the manufacturing sector. Employment conditions in the manufacturing sector however came in mixed, with wage growth picking up for the 2nd straight month to 3.2% y/y in September (Aug: +3.0%) but the number of employed turned in flat y/y. We expect 3Q GDP to be in the region of 3-3.4% depending on the release of other services indicators.
- BNM foreign reserves slipped marginally by $0.4bn to $108.5bn as at 31-October, pulling back for the 4th consecutive fortnight to its lowest in a year, in line with weakness seen in the local currency. The reserves level however remained sufficient to finance 5.1 months of retained imports and is 1x the short term external debt.

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	4.60-4.70	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	4.35	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
8-Nov	JN Leading Index CI (Sep P)	109.2
	EC ECB 1 Year CPI Expectations (Sep)	3.50%
	EC ECB 3 Year CPI Expectations (Sep)	2.50%
	EC Retail Sales MoM (Sep)	-1.20%
	US MBA Mortgage Applications (Nov 7)	-2.10%
	US Wholesale Trade Sales MoM (Sep)	1.80%
	US Wholesale Inventories MoM (Sep F)	0.00%
9-Nov	CH CPI YoY (Oct)	0.00%
	CH PPI YoY (Oct)	-2.50%
	JN Econ Watchers Survey Outlook SA (Oct)	49.5
	US Initial Jobless Claims (28 Oct)	217k

Source: Bloomberg

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