

9 August 2023

## Global Markets Research

### Daily Market Highlights

# 9 Aug: Stocks resumed selloff amid Moody's downgrade

**Moody's cut credit rating for 10 small and medium banks; reviewing 6 large banks**

**Sentiments turned cautious; spurring flight to safety in UST and USD**

**China logged its worst export growth since 2020; weighing on sentiments and CNH**

- Financial stocks were stung after Moody lowered its credit ratings for 10 small and medium sized banks and said that it was reviewing ratings for 6 larger ones, including the Bank of New York Mellon and U.S. Bancorp, sparking tightened lending credit concerns and sending Wall Street to rekindle its selloff. The Dow Jones Industrial Average lost 0.5% d/d, the S&P 500 dipped 0.4% d/d while Nasdaq pulled back by 0.8% d/d
- In Europe, FTSE100 fell 0.4% d/d, while Stoxx Eur 600 shed 0.2% d/d with UniCredit and other Italian banks falling after Rome said that it plans to impose a 40% windfall tax on banks. Weak China trade data, meanwhile, weighed down on Asian markets, sending Hang Seng and CSI 300 falling 1.8% d/d and 0.3% d/d respectively. Nikkei 225 was the outlier with a 0.4% d/d gain.
- Demand for UST climbed, pushing yields down. The 10Y UST yield dipped below 4.00% but managed to pared losses to end at 4.02% (-7bps). 2Y yields fell 1bps to 4.75%. 10Y European bond yields fell in tune of 8-13bps.
- DXY firmed after sentiments turned sour on China's poor trade data, sending the index rallying to as high as 103.80 before fading to 102.53 (+0.5% d/d). CNH fell to a five-week low of 7.2512, before closing 0.5% d/d weaker at 7.2371, while AUD, a proxy for risk-sensitive currencies, tumbled 0.4% d/d. MYR also depreciated by 0.5% d/d to 4.5830. Safe currencies like JPY and SGD did not fare better, losing between 0.5%-0.6% each. In Europe, EUR and GBP weakened in tune of 0.3%-0.4% d/d.
- Oil prices rose between 1.0%-1.2% d/d after Russia-Ukraine escalating tension threatened supply. This comes after the Ukrainian President said that his country will retaliate if Russia continues to block Ukrainian ports.

### US NFIB small business optimism rose but below average; trade deficit narrowed on lower imports

- The NFIB Small Business Optimism Index rose more than expected to 91.9 in July (June: 91.0). Having that said, this is still below its long-term average with owners reporting that inflation was their top business concern, followed by difficulty in hiring.
- Trade deficit narrowed less than expected, but to its 3-month low of \$65.5bn in June (May: \$68.3bn) as imports slid to its lowest level since 2021. Total imports fell 1.0% m/m (May: -2.3% m/m), with declines observed in capital and industrial goods, outpacing the 0.1% m/m contraction in exports (May: -0.5% m/m). Imports of consumer goods, meanwhile, gained m/m, but has largely

#### Key Market Metrics

	Level	d/d (%)
<b>Equities</b>		
Dow Jones	35,314.49	-0.45
S&P 500	4,499.38	-0.42
NASDAQ	13,884.32	-0.79
Stoxx Eur 600	458.60	-0.23
FTSE 100	7,527.42	-0.36
Nikkei 225	32,377.29	0.38
Hang Seng	19,184.17	-1.81
Straits Times	3,313.79	0.12
KLCI 30	1,451.00	0.36
<b>FX</b>		
Dollar Index	102.53	0.47
EUR/USD	1.0956	-0.42
GBP/USD	1.2748	-0.28
USD/JPY	143.38	0.62
AUD/USD	0.6544	-0.44
USD/CNH	7.2371	0.50
USD/MYR	4.5830	0.50
USD/SGD	1.3475	0.48
<b>Commodities</b>		
WTI (\$/bbl)	82.92	1.20
Brent (\$/bbl)	86.17	0.97
Gold (\$/oz)	1,924.10	-0.49
Copper (\$\$/MT)	8,347.50	-1.62
Aluminum(\$/MT)	2,200.50	-1.32
CPO (RM/tonne)	3,798.50	-0.69

Source: Bloomberg, HLBB Global Markets Research  
\* Dated as of 7 Aug for CPO

been on a downward trend since peaking in 2022, largely reflecting more moderate consumer spending. Notably, imports from China fell to its lowest since the pandemic, partially reflecting the trade tension between the two countries.

#### **Australia's business conditions held up while consumer sentiment dimmed**

- Despite NAB Business Conditions edging down slightly to 10 in July (June: 11), this is still above the 2023 average and confidence gained 2 points, suggesting that optimists outnumbered pessimists. Key risk going forward will be businesses' concerns that the economy will cool further as well as rising labour and purchase costs.
- Separate data by Westpac showed that consumer sentiment slipped to 81.0 in August (July: 81.3), suggesting that pessimists outnumbered optimists. Consumers continue to feel pressure on family finances and remained concerned about the interest rate and economic outlook.

#### **Japan's Eco Watchers outlook improved, with the exception of manufacturers**

- Eco Watchers Survey Outlook unexpectedly rose to 54.1 in July (June: 52.8), the first m/m increase since April. Improvement was observed in all its sub-indices with the exception of Manufacturers, which fell steeper into contraction at -1.4 (June: -1.0).

#### **China logged its worst export growth since 2020**

- China's exports registered its worst contraction since the pandemic, falling more than expected by 14.5% y/y in July ((June: -12.4% y/y). The plunge partially reflects a higher base effect but will also put 2023 growth target at risk. Imports, meanwhile, fell 12.4% y/y (June: -6.8% y/y), also missing estimates, suggesting waning domestic demand.

#### **Malaysia's IPI saw renewed decline of 2.2% y/y in June, adding to signs of underlying weakness**

- Industrial Production Index (IPI) pulled back in June as expected, as soft global demand weighed on overall output, proving the seasonal rebound in May as shortlived. While a contraction was expected, the quantum was bigger than expected at -2.2% y/y in June, vs ours (-1.7% y/y) as well as market's (-1.0% y/y). This marked a reversal from the +4.8% y/y revised gain seen in May, which represented a seasonal rebound from the decline in April skewed by the Hari Raya festivities back then. All the three major sectors lost traction, with contractions in mining (-6.4% y/y) and manufacturing (-1.6% y/y), while growth in electricity output more than halved to +2.8% y/y during the month. On a month-on-month basis, industrial output rose at a slower pace of 2.2% m/m in June (May: +7.3% m/m).
- In a separate release, manufacturing sales also fell, mirroring the decline in IPI. Sales fell 4.0% y/y in June, after growing 3.3% y/y in May. This marked its biggest decline since the pandemic era. On a less worrisome note, the month on-month traction stayed expansionary, albeit at a marginal 0.4% m/m (May: +1.3% m/m). In tandem with IPI and the overall operating environment, export-oriented sectors remained weak, posing an overall drag on sales. The report also revealed tentative signs of a softening labour market. The number of employed in the manufacturing sector slowed to 2.1% y/y in June (May: +2.6% y/y), and so was growth in salaries & wages (+3.0% vs +4.0% y/y). While this points to slowing demand and growth prospects, it also serves to dampen wage-driven inflation.

### 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
9-Aug	CH CPI YoY (Jul)	0.00%
	CH PPI YoY (Jul)	-5.40%
	US MBA Mortgage Applications	-3.00%
9-15 Aug	CH Aggregate Financing CNY (Jul)	4220.0b
10-Aug	UK RICS House Price Balance (Jul)	-46%
	JN PPI YoY (Jul)	4.10%
	AU Consumer Inflation Expectation (Aug)	5.20%
	US CPI YoY (Jul)	3.00%
	US CPI Ex Food and Energy YoY (Jul)	4.80%
	US Real Avg Weekly Earnings YoY (Jul)	0.60%
	US Initial Jobless Claims	227k

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](mailto:HLMarkets@hlbb.hongleong.com.my)

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