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Global Markets Research

Daily Market Highlights

10 July: Markets remained in risk-off mode

US stocks and treasuries remained under pressure; Dollar Index slipped below 103s

Softer headline NFP but sustained wage growth kept Fed rate hike outlook intact

“Positive vibes” from Yellen’s Beijing visit to somewhat revive risk sentiments today

- US stocks went through some swings before ending last Friday in the red as investors were weighing between the cooler headline nonfarm job data and sustained wage growth that suggested the Fed remained on track to raise rates in July. The three US benchmark stock indices ended the day lower by 0.1-0.6%, and was also lower w/w. Earlier in European and Asian trading sessions, equites traded largely weaker. The FTSE100 lost 0.3%, while the Nikkei 225 and Hang Seng Index fell 1.2% and 0.9% d/d respectively. The KLCI also fell 0.6% in line with selloff in the region as fear over the adverse impact of additional rate hikes by major central banks on growth continued to take center stage.

- Futures are pointing to higher openings in Asia markets this morning in a sign of relief that US Treasury Secretary Janet Yellen’s official four-day visit to China ended with some positive vibes, soothing fear of any escalation in tensions between the US and China for now. To recap, the US administration has recently ramped up restrictions on some key exports that could potentially curb outbound investments in semiconductors, AI and quantum computing to China.

- UST remained under selling pressure for a 4th straight day but ended last Friday mixed. 10Y UST yields rose further by 3bps to 4.06%. while the 2s shed 3bps to 4.95%, steepening the curve and narrowing the inversion in the yield curve to -89bps.

- On the FX front, the Dollar Index weakened for a 2nd straight day, losing its 103 handles to end the day 0.8% lower at 102.27 as sustained Fed rate hike prospects continued to unnerve markets. The greenback weakened against all G10s. The JPY gained the most (+1.3%) vs a weaker USD, last settled at 142.21. The EUR and GBP strengthened 0.7% and 0.8% respectively while the Aussie clinched a 1.0% gain vs the USD to 0.6690, just shy of the 0.67 key resistance levels. Asian currencies traded mixed to largely weaker, with the CNY and SGD being the only two crosses that outperformed the USD, strengthening 0.3% and 0.5% respectively. Meanwhile, the MYR weakened marginally by 0.1% to 4.6665, in line with broad weakness in other neighbouring FX.

- Global crude oil prices advanced on improving demand and supply dynamics. Positive economic numbers bolstered demand optimism while US inventories drawdown and OPEC+ output cut raised supply concerns. The Brent climbed 2.2% d/d to $78.17 as at last Friday’s close while the WTI advanced 2.5% to $73.67/ barrel.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	33,734.88	-0.55
S&P 500	4,398.95	-0.29
NASDAQ	13,660.72	-0.13
Stoxx Eur 600	447.65	0.10
FTSE 100	7,256.94	-0.32
Nikkei 225	32,388.42	-1.17
Hang Seng	18,365.70	-0.90
Straits Times	3,139.47	-0.35
KLCI 30	1,377.67	-0.60
FX		
Dollar Index	102.27	-0.82
EUR/USD	1.0967	0.72
GBP/USD	1.2839	0.78
USD/JPY	142.21	-1.29
AUD/USD	0.6690	0.97
USD/CNH	7.2324	-0.32
USD/MYR	4.6665	0.13
USD/SGD	1.3468	-0.50
Commodities		
WTI ($/bbl)	73.67	2.45
Brent ($/bbl)	78.17	2.17
Gold ($/oz)	1,930.50	0.71
Copper ($$/MT)	8,366.50	1.08
Aluminum($/MT)	2,141.00	0.52
CPO (RM/tonne)	3,832.50	0.13

Source: Bloomberg, HLBB Global Markets Research

US nonfarm job data cooled; stronger than expected wage gain kept Fed rate hike intact

- Nonfarm payroll added fewer than expected jobs of 209k in June, smaller than the downwardly revised 306k job creation in May. The two-month net revision came in at -110k. The lower job gains were mainly due to lower job addition in the private sector (149k vs 259k), which more than offset the bigger rise in government jobs (60k vs 47k). Jobless rate inched down to 3.6% in June, from 3.7% in May while participation rate held steady at 62.6%, as expected.
- Real wages sustained a 0.4% m/m and 4.4% y/y increase in June (as May figures were revised higher), suggesting a still resilient labour market that is keeping wage growth up and will keep the Fed on track to raise rates further in the next FOMC meeting later this month. Fed-dated OIS showed market pricing for a July rate hike has now been pushed above 90% after Friday's job report, implying almost a certainty for a 25bps hike.

Japan household spending remained weak; bigger trade deficits as exports plunged; surprised pick-up in leading index

- Household spending fell more than expected by 4.0% y/y in May (Apr: -4.4%), extending its losing streak for a 3rd month in a row, and was down m/m for the 4th straight month. This suggests higher prices are hurting consumers' pockets which would continue to keep a lid on consumption spending going forward. In addition, real wage growth continued to contract, albeit at a slower than expected pace of 1.2% y/y in May (Apr: -3.2% y/y), even though nominal wage saw quicker growth of 2.5% y/y (Apr: +0.8%), in another sign inflation is hurting.
- Current account surplus narrowed marginally to ¥1862.4bn in May (Apr: ¥1895.1bn), its lowest surplus since February dragged by a bigger deficit in merchandise trade balances. Trade deficit widened more than expected to ¥1186.7bn (Apr: -¥113.1bn), its worst in four months, as a result of the 11.9% m/m fall in exports and made worse by the 1.1% m/m increase in imports.
- On a more positive note, leading index unexpectedly edged higher to a 6-month high at 109.5 in May (Apr: 108.1), steadily bouncing back from its low since Nov-20, suggesting improving outlook in the next 3-6 months. The smaller than expected pullback in coincident index also added on to optimism the Japanese economy is holding up better than expected.

Malaysia foreign reserves fell to its lowest since mid-December

- Foreign reserves fell $1.6bn to $111.4bn as at end-June (15-Jun: $113.0bn), its lowest point since mid-December last year where the reserves position stood at $110.3bn. This is somewhat expected given the weakening in the MYR in the last two weeks of June. Despite the pullback, this reserves position is still sufficient to finance 5 months of retained imports and is 1x the short term external debt.

House View and Forecasts

FX	This Week	3Q-23	4Q-23	1Q-24	2Q-24
DXY	102-105	102	101	100	99
EUR/USD	1.07-1.10	1.11	1.12	1.14	1.12
GBP/USD	1.26-1.29	1.29	1.31	1.33	1.30
USD/JPY	142-147	141	139	136	133
AUD/USD	0.65-0.68	0.67	0.68	0.68	0.69
USD/MYR	4.63-4.70	4.69	4.64	4.60	4.55

USD/SGD	1.34-1.37	1.35	1.34	1.33	1.33

Rates, %	Current	3Q-23	4Q-23	1Q-24	2Q-24
Fed	5.00-5.25	5.25-5.50	5.25.5.50	5.00-5.25	4.50-4.75
ECB	4.00	4.25	4.25	4.25	4.00
BOE	5.00	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
10-Jul	JN Trade Balance BoP Basis (May)	-¥113.1b
	CH CPI YoY (Jun)	0.20%
	CH PPI YoY (Jun)	-4.60%
	JN Eco Watchers Survey Outlook SA (Jun)	54.4
	EC Sentix Investor Confidence (Jul)	-17
	US Wholesale Inventories MoM (May F)	-0.10%
11-Jul	US Consumer Credit (May)	$23.010b
	AU Westpac Consumer Conf Index (Jul)	79.2
	AU NAB Business Confidence (Jun)	-4
	AU NAB Business Conditions (Jun)	8
	JN Machine Tool Orders YoY (Jun P)	-22.10%
	UK Jobless Claims Change (Jun)	-13.6k
	UK Average Weekly Earnings 3M/YoY (May)	6.50%
	UK ILO Unemployment Rate 3Mths (May)	3.80%
	UK Employment Change 3M/3M (May)	250k
	EC ZEW Survey Expectations (Jul)	-10
	US NFIB Small Business Optimism (Jun)	89.4

Source: Bloomberg

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