

10 August 2023

## Global Markets Research

### Daily Market Highlights

# 10 Aug: US stocks fell as investors await CPI print

**UST closed mixed; DXY traded within a narrow band; Core-CPI expected to soften slightly**

**Oil prices jumped more than 1% on tighter supply risks, offsetting demand concerns**

**China's CPI turned contractionary for the first time since 2021; CSI 300 edged down**

- The US equities markets fell in the run up to the July CPI report. The Dow Jones Industrial Average lost 0.5% d/d, the S&P 500 shed 0.7% d/d, while Nasdaq Composite slipped 1.2% d/d. While higher oil prices lifted energy stocks overnight, Disney shares slid 0.7% d/d after posting mixed quarterly results, while WeWork also tumbled 38.6% d/d as the co-working business said there is "substantial doubt" about its ability to continue operating. Lyft also slid 10.0% d/d after reporting its lowest revenue growth this year.
- Stoxx Eur 600 climbed 0.4% d/d as Italian financials pared losses after the government watered down the windfall tax. In a bid to calm market jitters, the Italian finance ministry said it would cap the levy at 0.1% of a firm's assets. FTSE100 also gained 0.8% d/d, while stocks in China pulled back after its CPI slipped into negative territory for the first time since February 2021. CSI 300 lost 0.3% d/d. Hang Seng closed 0.3% d/d higher, while Nikkei dropped 0.5% d/d.
- US Treasuries closed mixed, with the 10Y yield closing slightly lower by 1bps to 4.01%, while the 2Y gained 6bps to 4.81%. 10Y European bond yields saw modest gains of 0-3bps except for the 10Y Norwegian bonds and UK gilts, where yields fell 1bps.
- Trading in the forex market was largely muted, with most currencies trading 0.2% d/d above or below their flatlines. DXY was little changed at 102.49, trading in a narrow band between 102.29 and 102.58. EUR strengthened 0.2% d/d, but GBP closed 0.2% d/d weaker. Most regional currencies closed slightly stronger by less than 0.2% d/d each, with CNH ending at 7.2293, MYR at 4.5730 and SGD at 1.3466. The outlier was JPY, which closed 0.2% d/d weaker at 143.73.
- In the oil market, Brent touched its highest since January (+1.6% d/d to \$87.55/barrel) and the West Texas Intermediate jumped to its highest since November 2022 (+1.8% d/d to \$84.40/barrel) after a steep drawdown in US fuel stockpiles and tighter supply owing to Saudi and Russian output cuts offset concerns over slow demand from China.

#### US mortgage application fell for the third week

- Mortgage applications declined for the third straight week by 3.1% w/w for the week ended Aug 4 (Jul 29: -3.0% w/w), as both purchase (-2.7% w/w) and refinance activities (-4.0% w/w) declined. As it is, homebuyers continue to

#### Key Market Metrics

	Level	d/d (%)
<b>Equities</b>		
Dow Jones	35,123.36	-0.54
S&P 500	4,467.71	-0.70
NASDAQ	13,722.02	-1.17
Stoxx Eur 600	460.58	0.43
FTSE 100	7,587.30	0.80
Nikkei 225	32,204.33	-0.53
Hang Seng	19,246.03	0.32
Straits Times	3,313.79	0.12
KLCI 30	1,462.03	0.76
<b>FX</b>		
Dollar Index	102.49	-0.04
EUR/USD	1.0974	0.16
GBP/USD	1.2719	-0.23
USD/JPY	143.73	0.24
AUD/USD	0.6528	-0.24
USD/CNH	7.2293	-0.11
USD/MYR	4.5730	-0.22
USD/SGD	1.3466	-0.07
<b>Commodities</b>		
WTI (\$/bbl)	84.40	1.78
Brent (\$/bbl)	87.55	1.60
Gold (\$/oz)	1,915.40	-0.45
Copper (\$\$/MT)	8,397.50	0.60
Aluminum(\$/MT)	2,195.00	-0.25
CPO (RM/tonne)	3,698.00	-2.65

Source: Bloomberg, HLBB Global Markets Research

\* Dated as of 8 Aug for CPO and Straits Times

struggle with low for-sale inventory and elevated mortgage rates, with the 30Y fixed mortgage rate increasing to 7.09%, highest since November 2022.

#### UK RICS House Price Index slid to its lowest since 2009

- The RICS House Price Index worsened more than expected and to its lowest level since 2009 at -53 in July (June: -48). Most of the sub-indices deteriorated during the month, save new buyer enquiries which largely remained unchanged at -45.

#### Japan's PPI softened y/y on lower imported inflation

- Japan's producer price inflation (PPI) decelerated to its slowest since March 2021, albeit less than expected to +3.6% y/y in July (June: +4.3% y/y). As it is, declines in prices of imported materials, especially for wood and energy, have largely contributed to the moderating prices in recent months.

#### China's CPI turned contractionary, albeit less than expected

- China's consumer (CPI) and producer prices (PPI) both contracted in July, albeit less than expected by 0.3% y/y and 4.4% y/y respectively (June: No change and -5.4% y/y). While PPI has fallen for the past 10 months, July marks the first contraction in CPI since February 2021, driven by a fall in food prices. Stripping out food and energy, core prices picked up to its 6-month high of +0.8% y/y, boosted by a surge in demand for travels, and consequently tourism prices. Moving forward, China's Stats Bureau said that the y/y CPI drop is temporary and will rise gradually as the impact from a high-base fades and as the economy recovers.

#### House View and Forecasts

FX	This Week	3Q-23	4Q-23	1Q-24	2Q-24
DX	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
10-Aug	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
11-Aug	UK Industrial Production MoM (Jun)	-0.60%
	UK GDP QoQ (2Q P)	0.10%
	HK GDP YoY (2Q F)	1.50%
	US PPI Final Demand YoY (Jul)	0.10%
	US U. of Mich. Sentiment (Aug P)	71.6

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	US U. of Mich. 1 Yr Inflation (Aug P)	3.40%
	US U. of Mich. 5-10 Yr Inflation (Aug P)	3.00%
11-18 Aug	CH FDI YTD YoY CNY (Jul)	-2.70%

Source: Bloomberg

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