

10 October 2023

## Global Markets Research

### Daily Market Highlights

# 10 Oct: Risk-off sentiment spurred safety bids

**US equities rebounded on dovish Fed speaks; energy and defence stocks surged**

**US bond market was closed for Columbus Day; USD and JPY gained amidst flight to safety**

**Oil prices spiked on broader conflict and supply fears; gold gained as safe haven bids**

- US stocks staged a comeback on Monday afternoon as investors shook off pressures driven by the Israel-Hamas conflict and after dovish Fed speaks from Vice Chair Philip Jefferson and Dallas President Lorie Logan. The former said that officials can “proceed carefully” following the recent rise in UST yields while the latter said that the recent surge in long-term bond rates may mean less need for the central bank to tighten again. Market pricing for a November rate hike has now dwindled to 12% (prior 30%).
- The Dow Jones Industrial Average and S&P 500 gained 0.6% d/d each, while Nasdaq Composite added 0.4% d/d. Nonetheless, the war impact on Wall Street was felt when shares of defence contractors jumped along with energy. Lockheed Martin and Northrop Grumman added 8.9% d/d and 11.4% d/d respectively, their best days since March 2020. Similarly, Europe’s defence companies like BAE Systems and Dassault Aviation were amongst their best performers but failed to lift the overall market sentiment. Stoxx Eur 600 dipped 0.3% d/d while FTSE 100 closed just below the flatline in a risk-off market. In Asia, CSI 300 fell 0.1% d/d upon reopening after the Golden Week. Nikkei 225 also slipped 0.3% d/d, but Hang Seng gained 0.2% d/d.
- The US bond market was closed for Columbus Day, but 10Y European bond yields fell between 7-12 bps.
- The Israel-Palestinian conflict spurred safety bid, sending DXY closing just above the flatline at 106.08 after reaching as high as 106.60 during the day. GBP closed flattish but EUR weakened 0.2% d/d. In Asia, JPY, another safe-haven currency, strengthened 0.5% d/d to 148.51, while CNH held firm against USD on the first trading day after Golden Week holiday, appreciating by 0.2% d/d. MYR and SGD depreciated to 4.7315 and 1.3653 against the USD.
- Oil prices popped over 4.0% d/d to \$86.38/barrel (WTI) and \$88.15/barrel (Brent) as the Israel-Hamas conflict raised concerns of a broader conflict in the Middle East and reignited supply fears. Price of gold spiralled upwards by 1.1% d/d to \$1,849.50/oz as investors scooped safe haven assets in the wake of heightening geopolitical jitters.

#### Eurozone’s investor sentiment worsened on current index

- The Sentix investor sentiment worsened less than expected to -21.9 in October (Sep: -21.5) as the situation index fell to -27.0, its lowest level since November 2022. Expectations index improved 4.2 points to -16.8, but we believe that it is still premature to conclude a sustained turnaround in

#### Key Market Metrics

	Level	d/d (%)
<b>Equities</b>		
Dow Jones	33,604.65	0.59
S&P 500	4,335.66	0.63
NASDAQ	13,484.24	0.39
Stoxx Eur 600	443.79	-0.26
FTSE 100	7,492.21	-0.03
Nikkei 225	30,994.67	-0.26
CSI 300	3,684.73	-0.13
Hang Seng	17,517.40	0.18
Straits Times	3,166.51	-0.25
KLCI 30	1,417.26	0.03
<b>FX</b>		
Dollar Index	106.08	0.04
EUR/USD	1.0567	-0.18
GBP/USD	1.2238	0.01
USD/JPY	148.51	-0.54
AUD/USD	0.6411	0.39
USD/CNH	7.2928	-0.23
USD/MYR	4.7315	0.37
USD/SGD	1.3653	0.01
<b>Commodities</b>		
WTI (\$/bbl)	86.38	4.34
Brent (\$/bbl)	88.15	4.22
Gold (\$/oz)	1,849.50	1.05
Copper (\$\$/MT)	8,104.00	0.72
Aluminum(\$/MT)	2,241.50	0.09
CPO (RM/tonne)	3,570.00	-1.44

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

sentiment. As it is, the headline data points to a still weak eurozone, especially in Germany

#### Australia's consumer confidence improved, but still pessimistic

- Westpac consumer confidence rose to 82.0 in October (Sep: 79.7), the first m/m increase since July. Nonetheless, the index at this level still suggests that pessimists outweigh optimists and were largely clouded by concerns of still high inflation and renewed rate increases. Offsetting this is improved confidence on family finances and jobs.

#### House View and Forecasts

FX	This Week	4Q-23	1Q-24	2Q-24	3Q-24
DXY	105-108	107	107	106	105
EUR/USD	1.03-1.07	1.04	1.04	1.04	1.05
GBP/USD	1.20-1.23	1.20	1.20	1.20	1.21
USD/JPY	147-150	150	147	144	141
AUD/USD	0.63-0.65	0.64	0.65	0.66	0.67
USD/MYR	4.69-4.76	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	4.10	4.10	4.10	4.10	3.83
BNM	3.00	3.00	3.00	3.00	3.00

Source: HLBB Global Markets Research

#### Up Next

Date	Events	Prior
10-Oct	AU Westpac Consumer Conf Index (Oct)	79.7
	AU NAB Business Conditions (Sep)	13
	JN Eco Watchers Survey Outlook SA (Sep)	51.4
	US NFIB Small Business Optimism (Sep)	91.3
11-Oct	AU CBA Household Spending MoM (Sep)	0.70%
	EC ECB 1 Year CPI Expectations (Aug)	3.40%
	EC ECB 3 Year CPI Expectations (Aug)	2.40%
	US MBA Mortgage Applications	-6.0%
	US PPI Final Demand YoY (Sep)	1.60%
11-18 Oct	CH FDI YTD YoY CNY (Sep)	-5.10%

Source: Bloomberg

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