

10 November 2023

## Global Markets Research

### Daily Market Highlights

# 10 Nov: Powell's hawkish remark unnerved markets

**Powell not confident of Fed's progress against inflation; will tighten policy if needed**  
**US equity markets snapped its winning streak; UST yield curve shifted higher; DXY gained**  
**China's CPI fell more than expected, first m/m drop in 3 months suggesting weak demand**

- The US equities market snapped its 8-day winning streak after Federal Reserve Chair Jerome Powell said that the central bank is not confident of its progress against inflation and said that the Fed will not hesitate to tighten policy further if appropriate, leaving open the possibility for more rate hikes. The benchmark index declined 0.8%, while the Nasdaq and Dow Jones also lost 0.9% d/d and 0.7% d/d respectively. Disney, meanwhile, rallied 6.9% after reporting better-than-expected profit and expanding its cost-cutting plan.
- Earlier in the day, European markets closed higher as momentum in markets picked up on the back of robust corporate earnings. Stoxx Eur 600 and FTSE 100 rose 0.7-0.8% d/d, while Asian markets closed mixed. Hang Seng dipped 0.3% d/d, but CSI 300 and Nikkei 225 gained 0.1% d/d and 1.5% d/d respectively. As it is, equity futures suggest that Asian stocks are primed for declines today following Powell's remarks and the fall in S&P 500 overnight.
- The UST yield curve shifted higher following the little more hawkish comments from Powell and poor demand for the 30Y bond auction. The benchmark 2 and 10Y yields rose 9 and 15bps to 5.02% and 4.62% respectively, while the 30Y gained 15bps to 4.77%. 10Y European bond yields closed up between 1-3bps.
- Powell's remarks sent DXY up 0.3% d/d to 105.91, with European currencies weakening in tune to 0.4-0.5% against the Dollar. Most regional currencies also depreciated against USD, led by SGD, MYR and JPY between 0.2-0.3% d/d respectively. Bank of Japan Governor Kazuo Ueda, meanwhile, said on Thursday that the order of the normalisation process for the yield curve control and negative rates hasn't been decided yet and added that the BOJ will keep its easy policy until its inflation target comes into sight.
- Oil eked out small gains between 0.5-0.6% d/d with price gains capped after Powell's remarks. Saudi Arabia's energy minister, meanwhile, said that oil consumption remains healthy and blamed speculators for the recent drop in prices.

#### US jobless claims came in lower than expected

- Initial jobless claims came in lower than expected, declining 3k to 217k for the week ended November 4 (Oct 28: +8k), while the increase in continuing claims slowed to +22k to 1834k the prior week (Oct 21: +29k). The latter is, nonetheless, the highest since mid-April as workers are increasingly having a harder time finding new jobs.

#### China's CPI fell more than expected by 0.2% y/y, led by food

- Consumer prices declined more than expected by 0.2% y/y in October (Sep: 0) and fell 0.1% m/m. The latter marked the first drop in 3 months with most

#### Key Market Metrics

	Level	d/d (%)
<b>Equities</b>		
Dow Jones	33,891.94	-0.65
S&P 500	4,347.35	-0.81
NASDAQ	13,521.45	-0.94
Stoxx Eur 600	447.80	0.84
FTSE 100	7,455.67	0.73
Nikkei 225	32,646.46	1.49
CSI 300	3,612.83	0.05
Hang Seng	17,511.29	-0.33
Straits Times	3,135.32	0.18
KLCI 30	1,452.27	-0.37
<b>FX</b>		
Dollar Index	105.91	0.30
EUR/USD	1.0668	-0.38
GBP/USD	1.2223	-0.50
USD/JPY	151.35	0.25
AUD/USD	0.6367	-0.55
USD/CNH	7.2979	0.15
USD/MYR	4.6932	0.24
USD/SGD	1.3604	0.29
<b>Commodities</b>		
WTI (\$/bbl)	75.74	0.54
Brent (\$/bbl)	80.01	0.59
Gold (\$/oz)	1,969.80	0.61
Copper (\$\$/MT)	8,147.00	0.06
Aluminum(\$/MT)	2,242.50	-0.93
CPO (RM/tonne)	3,653.00	0.07

Source: Bloomberg, HLBB Global Markets Research

\* Dated as of 8 Nov for CPO

prices reported smaller gains or slipped further into deflation, suggesting still weak domestic demand and more expansionary policies needed to support the economy. Food prices led the decline, falling by -4.0% y/y (Sep: -3.2% y/y). Services inflation slowed to +1.2% y/y (Sep: -1.3% y/y), while prices for consumer goods contracted at a larger pace of -1.1% y/y. (-0.9% y/y). Separate data also showed that producer prices also fell deeper into contraction territory, albeit less than forecast by 2.6% y/y for September (-2.5% y/y).

#### **Japan's Eco Watchers Outlook worsened for the third month; bank lending slowed for the second month**

- The Eco Watchers Survey Outlook index unexpectedly worsened for the third straight month to 48.4 in October (Sep: 49.5). This is the worst since December 2022 and a reading below 50 suggests there were more pessimists than optimists. The decline was mainly due to the household segment as well as non-manufacturers, with the former continued to be impacted by higher inflation rates. Separate data also showed that bank lending slowed for the second month to 2.8% y/y (Sep: +2.9% y/y).

#### **Growth in Malaysia's wholesale & retail trade eased for the 2nd straight month**

- Wholesale & retail trade grew at a slightly slower pace of 6.5% y/y in September (Aug: +6.7% y/y), as slower increases in retail (+5.9% vs +6.3% y/y) and motor vehicle (+70% vs +9.7% y/y) sales more than offset the quicker expansion in wholesale trade (+6.9% vs +6.2% y/y). For the whole of 3Q, wholesale & retail trade expanded at a faster pace of 6.8% y/y (2Q: +6.2% y/y), in tandem with details from a separate release on index of services showing faster growth in wholesale & retail sector. Despite this, the index of services increased at a softer pace of 4.4% y/y in 3Q (2Q: +5.0% y/y), losing steam for a 4th consecutive quarter, as other subsectors namely business services & finance, information & communication, transport & storage, and other services all registered slower growth. This spelled downside risk to the advance 3Q GDP growth of 3.3%.

#### **House View and Forecasts**

<b>FX</b>	<b>This Week</b>	<b>4Q-23</b>	<b>1Q-24</b>	<b>2Q-24</b>	<b>3Q-24</b>
DX	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

<b>Rates, %</b>	<b>Current</b>	<b>4Q-23</b>	<b>1Q-24</b>	<b>2Q-24</b>	<b>3Q-24</b>
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
10-Nov	AU RBA-Statement on Monetary Policy	
	UK Monthly GDP (MoM) (Sep)	0.20%
	HK GDP YoY (3Q F)	4.10%
	US U. of Mich. Sentiment (Nov P)	63.8
11-18 Nov	CH FDI YTD YoY CNY (Oct)	-8.40%
13-Nov	JN PPI MoM (Oct)	-0.30%
	AU CBA Household Spending MoM (Oct)	0.50%

Source: Bloomberg

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