

11 July 2023

## Global Markets Research

### Daily Market Highlights

# 11 July: Markets awaiting US CPI

**US equities and treasuries rebounded; extended decline in Dollar Index**

**NY Fed survey showed abating inflation expectations; Fed speaks stayed hawkish**

**China offered one-year loan extension to support the ailing real estate sector**

- US stocks rebounded with the three key benchmark indices registering gains of 0.2-0.6% on Monday. Markets were awaiting the release of US CPI on Wednesday for fresh leads, where a sharp pullback is expected due to statistical distortion. New York Fed survey showed one-year inflation outlook easing for the 3<sup>rd</sup> straight month to 3.8% in June (May: 4.1%), to its lowest print since Apr-21. However, the three Fed officials (Barr, Daly and Mester) uniformly reiterated that higher interest rates are needed to bring inflation back to the 2.0% target. Stocks in Europe and Asia also ended generally higher. Futures are suggesting higher opening in Asia markets today following the overnight gains in Wall Street, and positive vibes from China's property stimulus measures. China is extending policies to help support the ailing property sector, by providing a one-year loan extension to builders to ensure completion and delivery of homes under construction.
- UST snapped its 4-day losses, pushing yields down 1-12bps across the curve. 10Y UST yields fell 7bps back below the 4.00% handle to 3.99%. while the 2s shed another 9bps to 4.86%, further narrowing the inversion in the yield curve to -86bps. 10Y European bond yields generally saw more modest 0-3bps increase except for the 10Y UK gilts, where yields fell 1bps to 4.63%.
- On the FX front, the Dollar Index failed to hang on to gains in Asia and early European session, closing the day 0.3% lower at 101.96, just a tad off its intraday low of 101.95, extending its losing streak into a 3<sup>rd</sup> straight day. The USD weakened against 8 G10s, the most vs the NOK, JPY and SEK. The EUR strengthened 0.3% to 1.1001, its first close above 1.10s in two months, while the GBP advanced 0.2% d/d to close at 1.2861. Asia FX traded mixed against the greenback, with gains in INR, SGD, THB and CNH and losses in the rest. USD/ MYR opened lower on Monday but was seen inching up slowly to close the day 0.1% higher at 4.6705.
- Global crude oil prices fell again, with the Brent and WTI ended down between 0.5-0.6% d/d to \$77.79/ barrel and \$73.21/ barrel respectively. Renewed demand concerns stemming from interest rate hike expectations and growth fear exerted downward pressure on oil prices.

#### US wholesale inventories stagnated and sales fell; smaller gain in consumer credit

- Wholesale inventories turned in flat in a May final print (Apr: -0.3% m/m), improving from the 0.1% m/m decline in flash estimate. Sustained growth in durable goods led by automotive and machinery, offset the declines in non

#### Key Market Metrics

	Level	d/d (%)
<b>Equities</b>		
Dow Jones	33,944.40	0.62
S&P 500	4,409.53	0.24
NASDAQ	13,685.48	0.18
Stoxx Eur 600	448.47	0.18
FTSE 100	7,273.79	0.23
Nikkei 225	32,189.73	-0.61
Hang Seng	18,479.72	0.62
Straits Times	3,149.32	0.31
KLCI 30	1,383.06	0.39
<b>FX</b>		
Dollar Index	101.96	-0.30
EUR/USD	1.1001	0.31
GBP/USD	1.2861	0.17
USD/JPY	141.31	-0.63
AUD/USD	0.6675	-0.22
USD/CNH	7.2294	-0.04
USD/MYR	4.6705	0.09
USD/SGD	1.3449	-0.14
<b>Commodities</b>		
WTI (\$/bbl)	73.21	-0.62
Brent (\$/bbl)	77.79	-0.49
Gold (\$/oz)	1,930.90	0.02
Copper (\$\$/MT)	8,383.00	0.20
Aluminum(\$/MT)	2,154.00	0.61
CPO (RM/tonne)	3,795.50	-0.97

Source: Bloomberg, HLBB Global Markets Research

durable goods from groceries. Sales contracted by 0.2% m/m again in May after stagnated in April, dampened by fall petroleum sales. Inventory/ sales ratio ticked a notch up to 1.41 in May (Apr: 1.40), a sign of slower demand.

- Consumer credit increased at a much slower \$7.2bn in May (Apr: \$20.3bn revised), its smallest increase since Nov-20, dragged by non-revolving credit (school tuition and vehicle purchases among others) that fell for the first time since the pandemic in Apr-20. Meanwhile, credit cards also increased at a slower pace during the month, suggesting slower consumption as higher interest rates and inflation continued to hurt consumers.

#### **Eurozone Sentix investor confidence worsened more than expected in July**

- Investor confidence worsened more than expected to -22.5 in July (Jun: -17.0), suggesting investors are turning the least confident in eight months, as the current condition and expectations indices all softened. Increased pessimism is expected to exert a drag on spending and business plans going forward, spelling more downside risks to growth ahead.

#### **Japan Eco Watcher outlook softened more than expected in June**

- A survey by Eco Watcher showed outlook softened more than expected to 52.8 in June (May: 54.4), marking its 2<sup>nd</sup> straight month of pullback to a 4-month low, suggesting a still bleak growth outlook going forward. The softer confidence was evident across households, business, manufacturers as well as non-manufacturers establishments. The retail sector in particular showed marked pullback from 53.4 to 50.4 over the two months in line with sluggish household spending. The current condition index also pulled back more than expected to 53.6 in the same month (May: 55.0), its slowest since March.

#### **Continued moderation in price pressure will lead to more PBoC easing ahead**

- China CPI showed consumer prices stagnated in June (May: +0.2% y/y), softer than expectations for a sustained 0.2% y/y increase. This marked its lowest since Feb-21 when CPI fell 0.2% y/y back then, after the month-on-month decline extended into a 5<sup>th</sup> straight month. Consumer goods continued to fall (-0.5% vs -0.3% y/y) dragged by non-food prices (-0.6% vs +0.0% y/y, as food prices jumped 2.3% y/y (May: +1.0% y/y). Meanwhile, services saw more moderate gain of 0.7% y/y in June (May: +0.9%). This, coupled with the bigger than expected contraction in PPI to 5.4% y/y in the same month (May: -4.6% y/y), was certainly a sign of broad-based softening in price pressure that would prompt more easing by PBoC going forward.

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

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

<b>Rates, %</b>	<b>Current</b>	<b>3Q-23</b>	<b>4Q-23</b>	<b>1Q-24</b>	<b>2Q-24</b>
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
11-Jul	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
12-Jul	JN PPI YoY (Jun)	5.10%
	JN Core Machine Orders MoM (May)	5.50%
	NZ RBNZ Official Cash Rate (Jul)	5.50%
	MA Manufacturing Sales Value YoY (May)	-2.00%
	MA Industrial Production YoY (May)	-3.30%
	US MBA Mortgage Applications (7 Jul)	-4.40%
	US CPI YoY (Jun)	4.00%
	US CPI Ex Food and Energy YoY (Jun)	5.30%
	US Real Avg Weekly Earnings YoY (Jun)	-0.70%

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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