

11 August 2023

Global Markets Research

Daily Market Highlights

11 Aug: Mild Wall Street gains after tamer inflation data

Headline CPI inched up less than expected; core CPI eased as expected

UST yields climbed; DXY closed just above flatline amid Fed rate pause expectations

Downward revision in Singapore's final 2Q GDP; MTI narrowed GDP forecast to 0.5%-1.5%

- Wall Street edged higher on Thursday, supported by a rebound in Disney shares and as the mild inflation data from the US boosted investor optimism of a potential Fed rate pause. The Dow Jones Industrial Average gained 0.2% d/d, the S&P 500 closed just above the flatline while Nasdaq rose 0.1% d/d. Disney led the S&P 500 gains, rising 4.9% d/d after the media giant announced price hikes for its streaming services. Similarly, Stoxx Eur 600 and FTSE 100 also gained 0.8% and 0.4% d/d respectively. In Asia, Nikkei 225 rebounded and climbed 0.8% d/d after the country's PPI slowed to 3.6%, while Hang Seng was flattish.
- UST yields climbed post the CPI data, with the 10Y jumping up 10bps to 4.11%, while the 2Y rose 3bps to 4.84%. 10Y European bond yields rose a modest 1-5bps generally, with the exception of UK gilts as well as the Italian and Norwegian bonds which slipped between 0-8bps.
- DXY reversed losses on Thursday, but off its peak at 102.52 (less than +0.1% d/d), led by gains against JPY. JPY weakened 0.7% d/d, while GBP depreciated by 0.3% d/d. EUR, on the other hand, strengthened marginally by less than 0.1% d/d. In Asia, CNH and SGD closed 0.2% d/d weaker each, but MYR strengthened slightly by 0.1% d/d to close at 4.5705.
- Oil prices settled lower between 1.3%-1.9% d/d as fears of softer China's demand weighed on prices.

US headline inflation accelerated to 3.2%; Core moderated slightly to +47%

- While headline inflation accelerated less-than-expected to +3.2% y/y in July (June: +3.0% y/y), core prices matched expectations to decelerate to +4.7% y/y (June: +4.8% y/y). On a m/m basis, both headline and core sustained a 0.2% m/m increase, the smallest back-to-back increase in 2 years, with shelter contributing to 90% of the increase, followed by motor vehicle insurance. Of note, the softer than expected y/y increase in headline could be due to high base effect for energy prices, and as such, the recent uptick in oil prices could send energy inflation, and thus headline accelerating further in August.
- Separate data also showed that the uptick in inflation also partially contributed to lower worker pay. Real average weekly earnings gained at a softer pace of 0.2% y/y and was unchanged on a m/m basis in July (June: +0.7% y/y and +0.6% m/m).
- Initial jobless claims rose for the second week, picking up more than expected by +21k to 248k for the week ending August 5 (Jul 29: +6k), but continuing claims fell by 8k to 1684k for the week ended July 29 (Jul 22: +13k). The uptick

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	35,176.15	0.15
S&P 500	4,468.83	0.03
NASDAQ	13,737.99	0.12
Stoxx Eur 600	464.23	0.79
FTSE 100	7,618.60	0.41
Nikkei 225	32,473.65	0.84
Hang Seng	19,248.26	0.01
Straits Times	3,322.93	0.28
KLCI 30	1,458.93	-0.21
FX		
Dollar Index	102.52	0.03
EUR/USD	1.0981	0.06
GBP/USD	1.2676	-0.34
USD/JPY	144.75	0.71
AUD/USD	0.6515	-0.20
USD/CNH	7.2427	0.19
USD/MYR	4.5705	-0.05
USD/SGD	1.3494	0.21
Commodities		
WTI (\$/bbl)	82.82	-1.87
Brent (\$/bbl)	86.40	-1.31
Gold (\$/oz)	1,914.40	-0.05
Copper (\$\$/MT)	8,386.00	-0.14
Aluminum(\$/MT)	2,204.00	0.41
CPO (RM/tonne)	3,731.50	0.91

Source: Bloomberg, HLBB Global Markets Research
* Dated as of 9 Aug for CPO

in claims could be partially due to the bankruptcy of Yellow Corp which affected 30k workers. Softer labour data, coupled with milder inflation prints reaffirm our expectations that the Fed has reached the end of its tightening cycle.

Australia's consumer inflation expectations eased for the first time in four months

- After holding steady at 5.2% y/y in the last three months, consumer inflation expectations eased to +4.9% y/y in August (Jul: +5.2% y/y). While expectations remain well below the levels observed at this time last year, there was some uncertainty about the pace of the decline of expectations. Wage expectations, meanwhile, continued to be modest.

Singapore's 2Q GDP revised downwards to 0.5%

- Singapore's final 2Q GDP was revised downwards by 0.2ppts to +0.5% y/y in 2Q, but still marked a slight pick-up from the +0.4% y/y growth in 1Q. On a q/q basis, the economy grew a mere 0.1% (1Q: -0.4% q/q), effectively averting a technical recession. Taking into account the performance of the economy in 1H and the latest global and domestic economic developments, MTI also narrowed its GDP growth forecast for 2023 to "0.5%-1.5%," from "0.5%-2.5%" previously.

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
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
	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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