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Global Markets Research

Daily Market Highlights

11 Sep: JPY advanced on BOJ Ueda's comment

US equities and bond yields closed higher amid Fed rate pause expectations

BOJ Governor Ueda's comments spurred speculation of an end to ultraloose policy era

Absence of inflation pressure in China; PBoC expected to cut interest rates this week

- US stocks ended in the green with small gains of between 0.1-0.2% d/d, spurred by relieves that the Fed will most likely hold rates steady at its upcoming FOMC meeting on 21 September. Fed President Williams remarked on Thursday that the US monetary policy is "in a good place" even though he reiterated that the Fed policy path will remain data dependent. Fed Logan also echoed the Fed stance of a "skip" at the September FOMC meeting. Fed-dated OIS pricing showed odds of a September rate hike remain below 10% since the beginning of the month, at a mere 5%, down from 20% post July FOMC meeting.
- Advances were also led by energy stocks and a rebound in Apple shares, halting two straight days of hefty losses after markets digested news the China government extended the ban of Apple's iPhone usage from civil servants to government-backed agencies and state enterprises. However, stocks still registered losses for the week, amid uncertainties surrounding the Fed rate hike outlook, where odds of a higher rates for longer scenario appeared to be taking center stage. European stock indices also gained but Asian stocks closed in the red with the Hang Seng out again due to severe rainstorm. Futures are pointing to mixed to lower openings in Asian markets today.
- Sovereign bonds traded mixed across the globe. UST were seen under pressure, pushing yields up between 2-4bps generally led by the 2Y (+4bps to 4.99%) while the 10s added 2bps to 4.26% as at Friday's close. 10Y UK gilts however fell 3bps to 4.42% while the German bunds closed out Friday little changed at 2.61%.
- Dollar Index managed to defend the 105s big figure, inching up another 0.03% to 105.09 on Friday's close, its highest in six months and marked its higher close for the 8th consecutive week, underpinned by a resilient US economy that reinforced believes of higher rates for longer outlook. The USD strength was however not broad-based, and near overbought position also suggests upside could be capped at 105.30-105.50 for now. The greenback strengthened only against the JPY, CHF and GBP (among the G10s), and gained against five major Asian currencies most notably against the CNH (+0.3%). The MYR closed flat at 4.6772 while the SGD just 0.01% firmer at 1.3657 against the USD. However, the USD is seen losing ground and is trading below 105s this morning, as BOJ Governor Ueda's comment spurred speculation of an end to ultra-loose monetary policy and negative interest rate era. This prompted one big figure move in the USDJPY from 147.80 to as low as 146.67. The pair has since rebounded to 147.23 at the time of writing.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	34,576.59	0.22
S&P 500	4,457.49	0.14
NASDAQ	13,761.53	0.09
Stoxx Eur 600	454.66	0.22
FTSE 100	7,478.19	0.49
Nikkei 225	32,606.84	-1.16
Hang Seng	18,202.07	-1.34
Straits Times	3,207.75	-0.58
KLCI 30	1,454.95	-0.35
FX		
Dollar Index	105.09	0.03
EUR/USD	1.0700	0.04
GBP/USD	1.2468	-0.03
USD/JPY	147.83	0.36
AUD/USD	0.6376	0.00
USD/CNH	7.3647	0.31
USD/MYR	4.6772	0.00
USD/SGD	1.3657	-0.01
Commodities		
WTI (\$/bbl)	87.51	0.74
Brent (\$/bbl)	90.65	0.81
Gold (\$/oz)	1,924.60	0.03
Copper (\$\$/MT)	8,242.50	-0.94
Aluminum(\$/MT)	2,183.50	-0.57
CPO (RM/tonne)	3,753.50	-1.37

Source: Bloomberg, HLBB Global Markets Research

* Dated as of 7th Sept for CPO and Hang Seng

- Oil prices remained biddish, registering gains of 0.7-0.8% d/d, pushing the Brent crude back above the \$90/ barrel handle at \$90.65/ barrel. Ongoing expectations over supply curbs are expected to augur well with oil prices but modest demand will most likely curb its upside.

US wholesale inventories saw smaller decline in July

- Wholesale inventories fell for the 5th straight month, albeit at a much smaller pace of 0.2% m/m in July (Jun: -0.7% m/m), marking its smallest contraction in five months. Durable goods inventories sustained a 0.3% m/m decline as a rebound in computers was dampened by declines in automotive and machinery. Meanwhile, non-durable goods orders rebounded to eke out a 0.1% m/m increase (Jun: -1.3% m/m), thanks to a rebound in drugs and smaller decline in groceries.

Japan Eco Watcher outlook softened more than expected in August

- A survey by Eco Watcher showed outlook deteriorated more than expected to 51.4 in August (Jul: 54.1), dampened by weaker outlook across the board from household to business, and from manufacturers to non-manufacturers. Employment index also pulled back from 54.8 in July to 52.2 in August. Current condition index unexpectedly pulled back to 53.6 in August (Jul: 54.4). The broad weakness in current and expectations indices signalled a dimmer outlook ahead.

China CPI turned positive again in August; PPI remained negative

- China CPI shrugged off July's 0.3% y/y decline and eked out a 0.1% y/y growth in August, lower than expectations for a 0.3% y/y increase. The minute increase was due to higher transportation and accommodation prices during the summer travelling season as well as smaller decline in gas prices. Core CPI was flat in August, after rising 0.5% m/m in July.
- On the contrary, PPI continued to contract albeit at a slower pace of 3.0% y/y in August (July: -4.4% y/y). This marked its 11th straight month of negative print in PPI, a sign of persistent deflationary pressure in the system as demand remained subdued. This signals inflation will remain low and industrial profits will be adversely impacted as producers face difficulties in passing on higher costs

House View and Forecasts

FX	This Week	3Q-23	4Q-23	1Q-24	2Q-24
DXY	103-106	102	101	100	99
EUR/USD	1.05-1.09	1.11	1.12	1.14	1.12
GBP/USD	1.23-1.27	1.29	1.31	1.33	1.30
USD/JPY	144-149	141	139	136	133
AUD/USD	0.62-0.66	0.67	0.68	0.68	0.69
USD/MYR	4.60-4.70	4.69	4.64	4.60	4.55
USD/SGD	1.34-1.38	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	4.10	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-Sep	MA Manufacturing Sales Value YoY (Jul)	-4.00%
	MA Industrial Production YoY (Jul)	-2.20%
	EC EU Commission Economic Forecasts	
11-18 Sep	CH FDI YTD YoY CNY (Aug)	-4.00%
11-29 Sep	EC OECD Publishes Economic Outlook	
11-15 Sep	CH Aggregate Financing CNY (Aug)	528.2b
12-Sep	AU Westpac Consumer Conf Index (Sep)	81
	AU NAB Business Confidence (Aug)	2
	UK Payrolled Employees Monthly Change (Aug)	97k
	UK Average Weekly Earnings 3M/YoY (Jul)	8.20%
	UK ILO Unemployment Rate 3Mths (Jul)	4.20%
	UK Employment Change 3M/3M (Jul)	-66k
	EC ZEW Survey Expectations (Sep)	-5.5
	US NFIB Small Business Optimism (Aug)	91.9

Source: Bloomberg

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