

11 October 2023

## Global Markets Research

### Daily Market Highlights

# 11 Oct: IMF maintained global growth forecast for 2023

## IMF: Raised growth projections for the US; cut for Eurozone and China

## US equities ended higher amidst dovish Fed speaks; UST yields eased and DXY lost 106s

## Oil prices steadied around the \$86-\$88/barrel level despite ongoing Middle-east conflict

- US stocks rose for the third day, boosted by the declines in UST yields and as investors brushed off the geopolitical tension in the Middle East. The Dow Jones Industrial Average closed the day 0.4% d/d higher, S&P 500 gained 0.5% d/d while Nasdaq Composite added 0.6% d/d. Of note, PepsiCo shares rose 1.9% d/d after its earnings topped Wall Street forecast, while JPMorgan Chase, Delta, UnitedHealth Group, Domino's Pizza and Wells Fargo are slated to report results later this week.
- Similarly, European stock markets closed higher despite the ongoing conflict, with Stoxx Eur 600 and FTSE 100 up between 1.8-2.0% d/d. Major Asian markets closed mostly in the green with the exception of CSI 300 which fell 0.8% d/d.
- The UST yield curve shifted downwards between 11-15bps after several top Fed officials signalled that they could be done raising rates should long-term rates remain at their recent highs. The 2Y fell 11bps to 4.97%, while the 10Y declined 15bps to 4.65%. 10Y sovereign bond yields closed mixed between -11 to +1bps.
- Dovish remarks from the Fed officials also sent DXY weakening by 0.2% d/d to 105.83. European currencies strengthened against USD in tune of 0.4% d/d. In Asia, CNH, MYR and SGD appreciated by less than 0.2% d/d. JPY was the exception, trimming its gains during the day after strengthening to as much as 148.17 after a report revealed that the Bank of Japan is considering raising its forecast for CPI. JPY closed the day 0.1% d/d weaker at 148.71.
- Oil prices steadied around the \$86-\$88/barrel level (-0.5%-0.6%) after the initial knee jerk reaction from the Israel-Hamas conflict.

### IMF: World economy to moderate to 3.0% in 2023 and 2.9% in 2024

- Key highlights from the IMF's latest World Economic Outlook: 1) Global growth to slow from 3.5% in 2022 to 3.0% in 2023 (unchanged from July forecast) and 2.9% in 2024 (downgrade of 0.1ppts), well below the historical (2000–19) average of 3.8%. 2) Global inflation is forecast to decline steadily from 8.7% in 2022 to 6.9% in 2023 (+0.1ppts) and 5.8% in 2024 (+0.6ppts), due to tighter monetary policy and lower commodity prices. Core inflation is generally projected to decline more gradually, and not expected to return to target until 2025 in most cases. 3) Risks to the outlook are more balanced as compared to 6-months ago, due to the resolution of US debt ceiling tensions and Swiss-US authorities' acting decisively to contain financial turbulence. The likelihood of

### Key Market Metrics

	Level	d/d (%)
<b>Equities</b>		
Dow Jones	33,739.30	0.40
S&P 500	4,358.24	0.52
NASDAQ	13,562.84	0.58
Stoxx Eur 600	452.48	1.96
FTSE 100	7,628.21	1.82
Nikkei 225	31,746.53	2.43
CSI 300	3,657.13	-0.75
Hang Seng	17,664.73	0.84
Straits Times	3,199.07	1.03
KLCI 30	1,435.17	1.26
<b>FX</b>		
Dollar Index	105.83	-0.24
EUR/USD	1.0605	0.36
GBP/USD	1.2287	0.40
USD/JPY	148.71	0.13
AUD/USD	0.6432	0.33
USD/CNH	7.2878	-0.07
USD/MYR	4.7280	-0.07
USD/SGD	1.3631	-0.16
<b>Commodities</b>		
WTI (\$/bbl)	85.97	-0.47
Brent (\$/bbl)	87.65	-0.57
Gold (\$/oz)	1,861.00	0.62
Copper (\$/MT)	8,022.50	-1.01
Aluminum(\$/MT)	2,212.50	-1.29
CPO (RM/tonne)	3,613.00	0.94

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

a hard landing has receded, but risks are tilted downwards due China's property sector crisis.

- In terms of region: 1) US growth was revised upwards by 0.3ppts and 0.5ppts to 2.1% in 2023 and 1.5% in 2024 owing to stronger business investment in 2Q and resilient consumption. 2) Growth in the euro area is revised down by 0.2ppts and 0.3ppts to 0.7% in 2023 and 1.2% in 2024. 3) Growth in the UK is projected to moderate to 0.5% in 2023 (+0.1ppts) and +0.6% in 2024 (-0.4ppts) reflecting tighter monetary policies to curb still-high inflation and lingering impacts from high energy prices. 4) In Japan, growth is projected to accelerate to 2.0% in 2023 (+0.6ppts), buoyed by pent-up demand, a surge in inbound tourism, accommodative policies and on a rebound in auto exports. Growth is expected to moderate back to the 1.0% level in 2024 (no change). 5) China growth was revised downwards by 0.2ppts and 0.3ppts to 5.0% in 2023 and 4.2% in 2024 due to the property market crisis and lower investment.

#### **US Small Business Optimism dipped as inflation remains top concern**

- The NFIB Small Business Optimism Index fell more than expected to 90.8. in September (Aug: 91.3), the 21<sup>st</sup> consecutive month below the long-term average of 98. Inflation, along with labour quality, were noted as the most important concerns in operating business. Accordingly, sales growth has slowed and the bottom line is being squeezed. Separately, the final wholesale sales and inventories numbers were left unchanged at +1.8% m/m and -0.1% m/m respectively in August (Jul: +1.2% mm and -0.3% m/m), while the inventories/sales ratio fell to 1.36 (Jul: 1.39).

#### **Japan's Eco Watchers falls for the second month**

- Eco Watchers Outlook index fell more than expected and for the second month to 49.5 in September (Aug: 51.4). All the sub-indices declined during the month, with the exception of the food (household) index.

#### **Australia's Business Conditions eased but remained above average; confidence held steady**

- NAB Business Conditions eased to 11 in September (Aug: +14), reversing a small rise in August but remained above average. Business confidence was steady at +1, indicating that firms are evenly divided in terms of outlook but suggesting that overall, the economy has remained in reasonable shape.

#### **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>
DXV	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

  

<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	4.10	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
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%
12-Oct	US FOMC Meeting Minutes	
	JN PPI MoM (Sep)	0.30%
	JN Core Machine Orders MoM (Aug)	-1.10%
	JN Bank Lending Ex-Trusts YoY (Sep)	3.40%
	AU Consumer Inflation Expectation (Oct)	4.60%
	MA Manufacturing Sales Value YoY (Aug)	-3.00%
	MA Industrial Production YoY (Aug)	0.70%
	UK Monthly GDP (MoM) (Aug)	-0.50%
	US CPI YoY (Sep)	3.70%
	US Initial Jobless Claims	207k
	US Real Avg Weekly Earnings YoY (Sep)	0.30%

Source: Bloomberg

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