

12 July 2023

Global Markets Research

Daily Market Highlights

12 July: Markets extended gains ahead of US CPI

USD bears tightened its grip for a 4th consecutive day

US NFIB small business confidence improved but a gauge of uncertainty spiked

Surprisingly strong wage growth boosted expectations for BOE rate hike

- US stocks extended its rally for a 2nd straight day as markets await the release of US CPI data tonight. While expectations are that both the headline and core CPI prints will moderate, the pullback, especially the core reading, will not be sufficient to alter the Fed's rate hike outlook for July, where the OIS pricing for a 25bps hike in July remained high at 90% currently. The three benchmark US stock indices rallied between 0.6-0.9% d/d. European and Asian equities also ended on a positive note, bolstered by better market sentiments following earlier rebound in the US markets and China's property measures.
 - UST also generally advanced for a 2nd consecutive day, but performance was a little mixed across the curve. Yields were seen rising up to 1.5bps at the front end but fell 0.7-2.5bps from the belly to the long end. 2Y note yields added 1.5bps to 4.87% while the 10s lost 2.4bps to 3.97%. European sovereign bonds remained under pressure nonetheless, witnessing 1-3bps higher moves in 10Y yields.
 - In the FX space, the greenback lost further ground and extended its losing streak into a 4th consecutive day. The Dollar Index traded steadily lower through the day to end near the intra-day low again, down 0.3% on the day at 101.66. The USD weakened against all G10s except the NZD, where RBNZ is expected to keep rates on hold today. Asian currencies had a good day, strengthening against the USD across the board. KRW and THB led the gains, advancing close to 1.0% d/d vs the USD. CNH, SGD and MYR also gained 0.2-0.3% to 7.2119, 1.3410 and 4.6590 at close.
 - Global crude oil prices rebounded again, with the Brent and WTI rising over 2.0% to \$79.35/ barrel and \$74.81/ barrel respectively. Improved market sentiments and rising optimism over better demand as well as output cut according to an EIA report spurred gains in global oil prices.
- US NFIB small business confidence improved but a gauge of uncertainty spiked**
- Small business confidence staged a bigger than expected improvement to 91.0 in June (May: 89.4), representing its best optimism level since Nov-22. The lower percentage of firms reporting plan to hire at 15% in June (May: 19%), was offset by the improvement in the percentage of firms expecting a better economy (-40% vs -50%). That said, the uncertainty index spiked to a 5-month high at 76 in June (May: 71), a sign of still fragile business sentiments.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	34,261.42	0.93
S&P 500	4,439.26	0.67
NASDAQ	13,760.70	0.55
Stoxx Eur 600	451.72	0.72
FTSE 100	7,282.52	0.12
Nikkei 225	32,203.57	0.04
Hang Seng	18,659.83	0.97
Straits Times	3,163.84	0.46
KLCI 30	1,391.46	0.61
FX		
Dollar Index	101.66	-0.29
EUR/USD	1.1009	0.07
GBP/USD	1.2933	0.56
USD/JPY	140.36	-0.67
AUD/USD	0.6686	0.16
USD/CNH	7.2119	-0.24
USD/MYR	4.6590	-0.25
USD/SGD	1.3410	-0.29
Commodities		
WTI (\$/bbl)	74.81	2.19
Brent (\$/bbl)	79.35	2.01
Gold (\$/oz)	1,937.60	0.35
Copper (\$\$/MT)	8,337.50	-0.54
Aluminum(\$/MT)	2,168.50	0.67
CPO (RM/tonne)	3,822.00	0.70

Source: Bloomberg, HLBB Global Markets Research

Eurozone ZEW sentiments continued softening in July

- A survey by ZEW showed expectations for the region's economy deteriorated for the 5th straight month to -12.1 in July (Jun: -10.0). This was the worst reading since Dec-22 and marked its longest negative streak, also since Dec-22. Extended pullback in the sentiments amid higher energy prices and weaker global demand, in addition to tightening financing conditions, signalled mounting headwinds for the Eurozone economy ahead, which would also suggest the likelihood of tail-end of the ECB policy tightening soon.

Surprisingly strong wage growth boosted expectations for BOE rate hike

- Average weekly earnings surprised on the upside in May, overshadowing other softer job data and reaffirmed the case for more BOE rate hikes ahead. Ex-bonus, average earnings unexpectedly held steady at 7.3% y/y in May (Apr: +7.3% y/y upwardly revised) while including bonus, average earnings picked up more than expected to +6.9% y/y (Apr: +6.7% y/y upwardly revised). Claimant count increased again (+25.7k vs -22.5k), while the ILO unemployment rate ticked up more than expected to 4.0% in the three months to May (Apr: 3.8%). Payrolls fell 9k during the month, a reversal from the 20k job gains in May. Compounding the pullback in the job data was the downward revisions in jobless claims change from -13.6k to -22.5k and payroll gains from +23k to +20k in May.

Japan machine tool orders saw extended decline reaffirming weak business spending

- Preliminary machine tool orders registered continued contraction for the 6th consecutive month, albeit at a slightly slower pace of 21.7% y/y in June (May: -22.1% y/y), reaffirming weak business spending as growth outlook in the Japanese economy remains bleak. Both foreign and domestic orders fell, lesser in the former but quicker decline in the latter.

More upbeat consumer and business confidence in Australia

- Westpac consumer confidence rose 2.7% m/m in July (Jun: +0.2%) to a 3-month high, as RBA rate pause offered some reprieves to consumers choked by higher inflation and borrowing costs. Expectations for family finances and the economy for the year ahead rebounded to +6.8% and +5.4% m/m respectively (Jun: -2.1% and -0.1% m/m). Plan to buy major household items also rebounded. Businesses have also turned more optimistic. NAB business confidence improved from -3 to 0 in June, while the business condition index held steady at 9 during the month.

House View and Forecasts

FX	This Week	3Q-23	4Q-23	1Q-24	2Q-24
DX	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

Rates, %	Current	3Q-23	4Q-23	1Q-24	2Q-24
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
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%
13-Jul	US Real Avg Weekly Earnings YoY (Jun)	-0.70%
	US Federal Reserve Releases Beige Book ()	
	NZ BusinessNZ Manufacturing PMI (Jun)	48.9
	UK RICS House Price Balance (Jun)	-30%
	AU Consumer Inflation Expectation (Jul)	5.20%
	UK Monthly GDP (MoM) (May)	0.20%
	UK Industrial Production MoM (May)	-0.30%
	UK Manufacturing Production MoM (May)	-0.30%
	UK Index of Services MoM (May)	0.30%
	UK Construction Output MoM (May)	-0.60%
	UK Visible Trade Balance GBP/Mn (May)	-£14996m
	EC Industrial Production SA MoM (May)	1.00%
	US PPI Final Demand YoY (Jun)	1.10%
	US Initial Jobless Claims (39630)	--
	CH Exports YoY (Jun)	-7.50%

Source: Bloomberg

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