12 September 2023

Global Markets Research

Daily Market Highlights

12 Sep: Weaker USD ahead of US CPI

Muted markets ahead of US CPI; verbal intervention supported the JPY and CNH

European Commission cut GDP growth and inflation forecast for Eurozone

Malaysia revised 12th Malaysia Plan's growth and inflation targets higher for 2021-2025

- Tesla led tech-stock gains in Wall Street after a major US stock broker boosted its outlook and predicted that its "Dojo" computer could add $500bn to the company's enterprise value. Nasdaq rallied 1.1% d/d, the S&P 500 gained 0.7% d/d and Dow Jones Industrial Average added 0.3% d/d. Disney shares also rose 1.2% d/d after the media conglomerate and Charter Communications reached a deal to end their cable blackout fight.

- In Europe, Stoxx Eur 600 and FTSE 100 ended up 0.3% d/d as mining stocks like Rio Tinto traded higher on the back of higher metal prices as well as encouraging Chinese inflation prints. Asian markets closed mixed at the start of a week where key economic data from major economies will take center stage. As it is, China will announce its industrial output, retail sales and house sale prices later this week. Hang Seng tumbled 0.6% d/d, but CSI 300 rose 0.7% d/d. Nikkei 225 was down 0.4% d/d.

- Trading in the Treasuries markets were largely muted as investors awaited key inflation data due this week that could provide further clues about the outlook for fed fund rates. The yield on the 10Y rose 2bps to 4.29%, while the 2Y closed flat at 4.99%. 10Y European bond yields saw more modest 1-5bps increase.

- DXY was weaker 0.5% d/d at 104.57, with verbal interventions from Japan and China supporting JPY and CNH vis-à-vis USD. Both the currencies strengthened between 0.8%-0.9% d/d to close 146.59 and 7.3024 respectively. MYR and SGD also closed slightly stronger by 0.1% d/d and 0.4% d/d at 4.6730 and 1.3606, while European currencies appreciated between 0.3%-0.5% d/d.

- The benchmark oil prices settled largely unchanged, with Brent flattish at $90.64/barrel and WTI down 0.3% d/d to $87.29/barrel.

Upward revision in growth and inflation target for 2021-2025 under mid-term review of 12MP lifted by the high prints in 2022

- The mid-term review (MTR) of the 12th Malaysia Plan (12MP) was tabled in Dewan Rakyat yesterday with the objective of achieving 'A Prosperous, Inclusive, Sustainable Malaysia'. The framework of the MTR of the 12MP outlines strengthening efficiency of public service delivery as the key enabler to achieve its goal. Under the new framework, 17 'Big Bolds' have been outlined to catalyse development across the key enabler and 3 focus areas moving forward. Key targets under the 12MP include GDP growth of 5.0%-6.0% (vs original target 4.5-5.5%), inflation rate of 2.8%-3.8% (vs original target 2.7%) and fiscal deficit of 3.0%-3.5% of GDP (no change from original target).

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	34,663.72	0.25
S&P 500	4,487.46	0.67
NASDAQ	13,917.89	1.14
Stoxx Eur 600	456.21	0.34
FTSE 100	7,496.87	0.25
Nikkei 225	32,467.76	-0.43
Hang Seng	18,096.45	-0.58
Straits Times	3,218.28	0.33
KLCI 30	1,455.04	0.01
FX		
Dollar Index	104.57	-0.50
EUR/USD	1.0750	0.47
GBP/USD	1.2509	0.33
USD/JPY	146.59	-0.84
AUD/USD	0.6431	0.86
USD/CNH	7.3024	-0.85
USD/MYR	4.6730	-0.09
USD/SGD	1.3606	-0.37
Commodities		
WTI ($/bbl)	87.29	-0.25
Brent ($/bbl)	90.64	-0.01
Gold ($/oz)	1,929.20	0.24
Copper ($$/MT)	8,402.00	1.94
Aluminum($/MT)	2,205.50	1.01
CPO (RM/tonne)	3,750.00	-0.09

Source: Bloomberg, HLBB Global Markets Research
** Dated as of 8th Sept for CPO*

Energy, tech & digitalisation, E&E, agriculture & agro-based as well as rare earths sectors are the key beneficiaries from this plan.

Malaysia's IPI rebounded to increase 0.7% y/y in July; wholesale & retail trade grew at a faster pace

- Industrial Production Index (IPI) eked out a 0.7% y/y increase in July, against market consensus for a small negative print but in line with our expectation for a turnaround to positive growth, from the 2.2% y/y contraction in June. This was driven by a rebound in mining output (+4.2% vs -6.4% y/y) and smaller drag from manufacturing (-0.2% vs -1.6% y/y), aided by the low base in the previous corresponding month of Jul-22. While the positive reading is much welcome, the underlying traction remains weak, losing steam for a 3rd straight month and contracting 1.8% m/m in July, its first negative print in three months dragged by a 4.3% m/m decline in the manufacturing sector.
- Meanwhile, manufacturing sales saw extended declines (-3.0% vs -4.0% y/y). Contrary to continued improvement in labour market and steady jobless rate at 3.4% in July, labour market condition in the manufacturing sector softened further to its lowest since 3Q21, keeping a lid on wage-driven inflation.
- In a separate release, wholesale & retail trade painted a better picture which helped reinforce expectations that the services sector will continue to underpin growth in 3Q as the manufacturing sector battles with weakening demand. Overall wholesale & retail trade grew at a faster pace of 7.2% y/y and 0.9% m/m in July (Jun: +4.3% y/y and +0.4% m/m), thanks to quicker expansion in wholesale trade (+5.7% vs +3.1% y/y) and motor vehicles (+20.5% vs +3.4% y/y). Retail trade saw slightly slower growth of 5.5% y/y (Jun: +5.8%).

EC cut GDP and inflation forecast for 2023 and 2024

- Key highlights from the European Commission's (EC) latest forecast: 1) EC revised its GDP forecast for the Eurozone downwards to +0.8% in 2023 (Spring forecast: +1.1%) and +1.3% in 2024 (Spring: +1.6%). 2) The downward revision reflects weakness in domestic demand, in particular consumption as high and still increasing consumer prices are taking a heavier toll than expected. 3) Inflation is forecast to be 5.6% in 2023 (Spring: +5.8%) and 2.9% in 2024 (Spring: +2.8%). 4) Inflation in services has so far been more persistent than previously expected, but it is expected to moderate as demand softens. 5) Outlook is challenged by wider geopolitical tensions, monetary tightening weighing on economic activities more than expected, persistent price pressures and climate risks.

China's new loans beat expectations

- New yuan loans accelerated more than expected to 1.4tn yuan in Aug (Jul: 345.9bn yuan), with corporate loans a major contributor to loan growth. As it is, PBoC-managed Financial News reported that financial support to the economy is sufficient and that structural tools will be used to support the targeted problems in the economy.

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
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%
	EC ZEW Survey Expectations (Sep)	-5.5
	US NFIB Small Business Optimism (Aug)	91.9
113-Sep	JN PPI YoY (Aug)	3.60%
	JN BSI Large All Industry QoQ (3Q)	2.7
	UK Monthly GDP (MoM) (Jul)	0.50%
	HK Industrial Production YoY (2Q)	3.90%
	EC Industrial Production SA MoM (Jul)	0.50%
	US MBA Mortgage Applications	-2.90%
	US CPI Ex Food and Energy YoY (Aug)	4.70%
	US Real Avg Weekly Earnings YoY (Aug)	0.20%

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

DISCLAIMER

This report is for information purposes only and does not take into account the investment objectives, financial situation or particular needs of any particular recipient. The information contained herein does not constitute the provision of investment advice and is not intended as an offer or solicitation with respect to the purchase or sale of any of the financial instruments mentioned in this report and will not form the basis or a part of any contract or commitment whatsoever.

The information contained in this publication is derived from data obtained from sources believed by Hong Leong Bank Berhad ("HLBB") to be reliable and in good faith, but no warranties or guarantees, representations are made by HLBB with regard to the accuracy, completeness or suitability of the data. Any opinions expressed reflect the current judgment of the authors of the report and do not necessarily represent the opinion of HLBB or any of the companies within the Hong Leong Bank Group ("HLB Group"). The opinions reflected herein may change without notice and the opinions do not necessarily correspond to the opinions of HLBB. HLBB does not have an obligation to amend, modify or update this report or to otherwise notify a reader or recipient thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

HLB Group, their directors, employees and representatives do not have any responsibility or liability to any person or recipient (whether by reason of negligence, negligent misstatement or otherwise) arising from any statement, opinion or information, expressed or implied, arising out of, contained in or derived from or omission from the reports or matter.

Potential and actual conflict of interest may arise from the activities of HLB Group. HLB Group constitute a diversified financial services group. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, hedging transactions and other activities for their own account or the account of others. In the ordinary course of their business, HLB Group may effect transactions for their own account or for the account of their customers and hold long or short positions in the financial instruments. HLB Group, in connection with its business activities, may possess or acquire material information about the financial instruments. Such activities and information may involve or have an effect on the financial instruments. HLB Group have no obligation to disclose such information about the financial instruments or their activities.

The past performance of financial instruments is not indicative of future results. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Any projections or forecasts mentioned in this report may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information. No assurance can be given that any opinion described herein would yield favourable investment results. Recipients who are not market professional or institutional investor customer of HLBB should seek the advice of their independent financial advisor prior to taking any investment decision based on the recommendations in this report.

HLBB may provide hyperlinks to websites of entities mentioned in this report, however the inclusion of a link does not imply that HLBB endorses, recommends or approves any material on the linked page or accessible from it. Such linked websites are accessed entirely at your own risk. HLBB does not accept responsibility whatsoever for any such material, nor for consequences of its use.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. This report is for the use of the addressees only and may not be redistributed, reproduced or passed on to any other person or published, in part or in whole, for any purpose, without the prior, written consent of HLBB. The manner of distributing this report may be restricted by law or regulation in certain countries. Persons into whose possession this report may come are required to inform themselves about and to observe such restrictions. By accepting this report, a recipient hereof agrees to be bound by the foregoing limitations.