

12 October 2023

## Global Markets Research

### Daily Market Highlights

# 12 Oct: FOMC minutes reinforced hawkish pause view

## FOMC: High rates for some time, risks more two-sided

## US equities rose for the 4<sup>th</sup> day; DXY closed flat; Treasury yields closed mixed

## US PPI higher-than-expected; Eurozone's inflation expectations picked up slightly

- Wall Street logged its fourth day of gains as Treasury yields continued to retreat. The Dow Jones Industrial Average closed higher by 0.2% d/d, S&P 500 gained 0.4% d/d, while Nasdaq added 0.7% d/d. Moving the market was the minutes to the September FOMC meeting, where Fed officials view that high rates should stay for some time but risks have become more two-sided. After the minutes were released, S&P erased losses, while the 2Y UST yield and DXY pared the day's gains. Data wise, PPI came hotter than expected while Birkenstock tumbled 12.6% d/d on debut.
- In Europe, Stoxx 600 closed 0.2% d/d higher, while FTSE 100 slipped 0.1% d/d. LVMH reported a slowdown in growth that was bigger than expected, sending shares tumbling 6.5% d/d. South Korean stocks led gains in Asia, with KOSPI up 2.0% d/d after chip giant Samsung Electronics jumped 2.7% d/d. Samsung reported a more modest slide in profit, suggesting that the global semiconductor cycle may have rounded a corner. Nikkei 225 rose 0.6% d/d, while Hang Seng and CSI 300 gained 1.3% d/d and 0.3% d/d.
- In the Treasuries market, the long-end outperformed as hotter-than-expected PPI weighed down on the front end. The 2Y yield gained 1bps to 4.98% while the 10Y fell 10bps to 4.56%. 10Y European bond yields fell between 6-18bps.
- DXY closed flat at 105.82, largely trading within a narrow range of 105.56-106.01. European currencies appreciated slightly between 0.1%-0.2% d/d, while regional currencies closed mixed. MYR appreciated by 0.3% d/d to 4.7163, but JPY and CNH depreciated in tune to 0.2%-0.3% d/d. SGD closed flattish at 1.3633.
- Oil prices fell between 2.0%-2.9% d/d as fears of disruption to supplies due to the Middle East conflict eased and after Saudi Arabia pledged to help stabilise the market.

### FOMC minutes: High rates for "some time," risks become more "two sided"

- Some highlights to the latest FOMC minutes: 1) Fed officials judged that with the monetary policy stance in restrictive territory, risks to achieving the committee's goals had become more two sided. 2) All participants agreed that the committee was in a position to proceed carefully and that policy decisions would be data dependent and take into account the balance of risks. 3) All members agreed that policy should remain restrictive for some time. 4) The majority of participants judged that one more increase in the target federal

### Key Market Metrics

	Level	d/d (%)
<b>Equities</b>		
Dow Jones	33,804.87	0.19
S&P 500	4,376.95	0.43
NASDAQ	13,659.68	0.71
Stoxx Eur 600	453.16	0.15
FTSE 100	7,620.03	-0.11
Nikkei 225	31,936.51	0.60
CSI 300	3,667.55	0.28
Hang Seng	17,893.10	1.29
Straits Times	3,192.87	-0.19
KLCI 30	1,436.49	0.09
<b>FX</b>		
Dollar Index	105.82	0.00
EUR/USD	1.0620	0.14
GBP/USD	1.2313	0.21
USD/JPY	149.17	0.31
AUD/USD	0.6414	-0.28
USD/CNH	7.3010	0.18
USD/MYR	4.7163	-0.25
USD/SGD	1.3633	0.01
<b>Commodities</b>		
WTI (\$/bbl)	83.49	-2.88
Brent (\$/bbl)	85.82	-2.09
Gold (\$/oz)	1,872.80	0.63
Copper (\$\$/MT)	8,024.00	0.02
Aluminum(\$/MT)	2,214.00	0.07
CPO (RM/tonne)	3,548.00	-1.80

Source: Bloomberg, HLBB Global Markets Research  
\* Dated as of 10 Oct for CPO

funds rate would likely be appropriate. 5) Participants noted the importance of balancing risk of overtightening against the risk of insufficient tightening.

- Producer price inflation (PPI) decelerated less than forecast by +0.5% m/m in September (Aug: +0.7% m/m). Excluding food and energy, core PPI was also higher than expected at +0.3% (Aug: +0.2% m/m). Energy drove prices for final demand goods (+0.9% m/m vs. Aug: +2.0% m/m), while final demand services advanced 0.3% m/m (Aug: +0.2% m/m) amidst a 13.9% m/m jump in deposit services. Of note, the 2.2% y/y increase in headline PPI was the fastest pace since April, suggesting still sticky inflationary pressures.
- Mortgage applications rebounded to grow by 0.6% w/w for the week ended October 6 (Sep 29: -6.0% w/w) despite the 30-year fixed mortgage rate scaling to its highest since 2000 at 7.67%. Both the purchase and refinance indices grew w/w, but application activities remain depressed and close to multi-decade lows. Of note, purchase applications are still almost 20% below last year's pace.

#### **Eurozone 's consumer inflation expectations picked up slightly**

- According to the ECB, median expectations for inflation over the next 12 months edged up to 3.5% in August (Jul: 3.4%) while expectations for 3 years ahead accelerated for the second month to 2.5% (Jul: 2.4%). Nonetheless, these remain well below the perceived past inflation rates and uncertainty about inflation expectations over the next 12 months declined to the lowest level since March 2022.

#### **Weaker data from Japan**

- Data this morning showed that core machinery orders unexpectedly remain in contractionary mode for the second month at -0.5% m/m in August (Jul: -1.1% m/m), while bank lending slowed to +2.9% m/m for September (Aug: +3.1% m/m). The decline for the former was driven by the non-manufacturing sector.
- In terms of prices, PPI slowed more than expected to +2.0% y/y in September (Aug: +3.3% y/y) and contracted 0.3% m/m (Aug: +0.3% m/m). This is the first m/m decline in 3 months, pulled lower by contraction in prices for petroleum & coal, minerals, electrical machinery, metal as well as iron & steel.

#### **Stable Australia 's household spending**

- Growth in CBA Household Spending Index slowed to +1.8% y/y in September (Aug: +2.1% y/y) but was stable at +0.5% m/m. As it is, the index has been registering stable growth between 0.5%-0.6% m/m since June, an uptick from +0.2% m/m in Feb-May, suggesting resilient consumer spending supported by strong income growth and previously accumulated savings. Gains during the month were led by the hospitality, food and beverages, transport and education sectors. Separately, consumer inflation expectations accelerated to +4.8% y/y in October (Sep: +4.6% y/y).

#### **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>
DX	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

Rates, %	Current	4Q-23	1Q-24	2Q-24	3Q-24
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
12-Oct	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
13-Oct	US Real Avg Weekly Earnings YoY (Sep)	0.30%
	CH CPI YoY (Sep)	0.10%
	CH PPI YoY (Sep)	-3.00%
	EC Industrial Production SA MoM (Aug)	-1.10%
	US Import Price Index MoM (Sep)	0.50%
	US Export Price Index MoM (Sep)	1.30%
	US U. of Mich. Sentiment (Oct P)	68.1
	US U. of Mich. 1 Yr Inflation (Oct P)	3.20%
	US U. of Mich. 5-10 Yr Inflation (Oct P)	2.80%
	CH Exports YoY (Sep)	-8.80%

Source: Bloomberg

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