

Global Markets Research
Daily Market Highlights

13 Sep: Mild markets ahead of US CPI & ECB meet

Sovereign bonds, FX markets closed little changed ahead of US CPI, ECB policy decision

Oil prices rallied to a 10-month high on OPEC's report on potential oil shortfall in 4Q

UK wage growth ticked up; keeping BOE rate hike expectations alive

- Tech stocks, led by Oracle, pulled the S&P 500 lower on Tuesday. The index fell 0.6% d/d, while Nasdaq and Dow Jones Industrial Average also slid 1.0% and 0.1% d/d. Oracle plunged 13.5% d/d, its largest 1-day fall since 2002 after last quarter's sales fell short of estimates and the company's revenue forecast also disappointed. Apple shares also closed 1.7% d/d lower with the iPhone 15 and new Apple Watch launch providing little support.
- Elsewhere, stocks were mixed. Stoxx Eur 600 closed 0.2% d/d lower as investors largely awaited the key US inflation data and ECB's monetary policy decision later in the week. Of note, Smurfit Kappa fell sharply by 10.2% d/d after the WestRock deal. FTSE 100, on the other hand, gained 0.4% d/d. Asian markets mostly fell with Hang Seng and CSI 300 dipping between 0.2%-0.4% d/d. Of note, shares of real estate developer Country Garden Holdings climbed 3.9% d/d after the developer got the nod to extend 6 yuan-bonds by 3 years. Japan's Nikkei 225 was up 1.0%, snapping a 3-day losing streak.
- Treasuries were little changed as investors largely awaited the US CPI print. Yields on the 2Y rose 3bps to 5.02%, but the 10Y slid 1bps to 4.28%. 10Y European bond yields generally saw modest 0-2bps increase except for the 10Y UK gilts, where yields fell 6bps to 4.41%
- In the forex market, DXY edged up slightly by 0.1% d/d to 104.71. EUR closed flattish at 1.0754, but GBP lost 0.2% d/d after labor market data showed wage growth likely keep the BOE on track to raise interest rates again, but the uptick in unemployment rate signalled a possible cooling labour market. In Asia, JPY retreated 0.3% d/d erasing some of its previous gains post Japan's verbal intervention. CNH and SGD also closed flattish at 7.3014 and 1.3606, but MYR weakened 0.1% d/d to 4.6788.
- Oil prices rallied to their 10-months high after a report by OPEC showed that oil markets could face a 3.3m barrels per day shortfall in 4Q. The West Texas Intermediate jumped 1.8% d/d to \$88.84/barrel, while Brent gained 1.6% d/d to close at \$92.06/barrel.

US NFIB small business optimism fell as inflationary concerns continue to haunt confidence

- The NFIB Small Business Optimism index fell more than expected to 91.3 in August (Jul: 91.9), the 20th consecutive month below the long-term average of 98.0. As it is, inflation and worker shortage continue to be the biggest

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	34,645.99	-0.05
S&P 500	4,461.90	-0.57
NASDAQ	13,773.61	-1.04
Stoxx Eur 600	455.40	-0.18
FTSE 100	7,527.53	0.41
Nikkei 225	32,776.37	0.95
Hang Seng	18,025.89	-0.39
Straits Times	3,214.46	-0.12
KLCI 30	1,453.39	-0.11
FX		
Dollar Index	104.71	0.14
EUR/USD	1.0754	0.04
GBP/USD	1.2490	-0.15
USD/JPY	147.08	0.33
AUD/USD	0.6426	-0.08
USD/CNH	7.3014	-0.01
USD/MYR	4.6788	0.12
USD/SGD	1.3606	0.00
Commodities		
WTI (\$/bbl)	88.84	1.78
Brent (\$/bbl)	92.06	1.57
Gold (\$/oz)	1,917.20	-0.62
Copper (\$\$/MT)	8,391.00	-0.13
Aluminum(\$/MT)	2,196.50	-0.41
CPO (RM/tonne)	3,703.50	-1.24

Source: Bloomberg, HLBB Global Markets Research
* Dated as of 11th Sept for CPO

obstacles for Main Street and the net percent of owners raising average selling prices increased 2 points to 27%, still at an inflationary level.

Eurozone ZEW sentiments continued to remain weak

- The ZEW Survey Expectations worsened to -8.9 in Sep (Aug: -5.5) but confidence in Germany unexpectedly improved to -11.4 (Aug: -12.3) spurred by a more optimistic view of international stock market developments as well as in anticipation of a stable interest environment going forward. Still, the latter is negative and below the long-term average.

Signs of softening in the UK labour market

- Payrolled employees unexpectedly fell 1k in Aug (Jul: downwardly revised from +97k to -4k), marking the second month of contraction, while the unemployment rate has been ticking up for the 3rd straight month to 4.3% in July (Jun: 4.2%), the highest since Sept-21. Employment changed saw a massive 207k losses in the three-months to July, from the 66k loss in the three months to June, pointing to severe job losses. However, annual growth in regular pay (excluding bonuses) was 7.8% y/y higher for the same period, its highest since comparable records began in 2001. The latest data reaffirms the view of a cooling labour market, but the strength of the wages will keep BOE on course to hike again in September.

Divergence between business and consumer confidence in Australia

- Economic data on the Australian front was mixed. While Westpac Consumer Confidence worsened to -1.5% m/m in Sep (Aug: -0.4% m/m), NAB Business Conditions and Confidence both improved to 13 and 2 respectively in August (Jul: 11 and 1). The worsened sentiment for the former is particularly worrying given that the overall index and most sub-components are tracking below the levels seen in the early 1990s recession and pessimism has persisted despite easing fears of interest rate hikes. The latter, on the other hand, is positive given that both its forward orders and capacity utilisation rate indicators improved during the month.

Japan's PPI's moderated y/y but picked up m/m; business conditions improved

- Producer prices moderated more than expected and for the 8th month to +3.2% y/y in August (Jul: +3.4% y/y). On a m/m basis however, prices picked up slightly to +0.3% m/m (Jul: +0.1% m/m) solely due to higher export prices, especially for other primary products and manufactured goods; general purpose, production and business-oriented machinery as well as chemical products.
- BSI Large All Industry index rose for the second quarter by 5.8 q/q in 3Q (2Q: +2.7 q/q) and is anticipated to accelerate further by +7.3 q/q and +6.2 q/q in 4Q and 1Q of 2024 respectively. The manufacturing sector recorded a strong turnaround to +5.4 (2Q: -0.4) while business conditions in the non-manufacturing sector also improved.

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
13-Sep	AU CBA Household Spending (Aug)	0
	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%
14-Sep	UK RICS House Price Balance (Aug)	-53%
	AU CBA Household Spending MoM (Aug)	0.00%
	JN Core Machine Orders MoM (Jul)	2.70%
	AU Consumer Inflation Expectation (Sep)	4.90%
	AU Unemployment Rate (Aug)	3.70%
	JN Industrial Production MoM (Jul F)	-2.00%
	EC ECB Main Refinancing Rate	4.25%
	US Retail Sales Advance MoM (Aug)	0.70%
	US Initial Jobless Claims	216k
	US PPI Final Demand YoY (Aug)	0.80%

Source: Bloomberg

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