

13 October 2023

Global Markets Research

Daily Market Highlights

13 Oct: Stronger than expected US inflation

End of winning streaks for US equity markets; Higher UST yields; DXY rose sharply

UK GDP rebounded to grow by 0.2% on services; Malaysia's IPI fell 0.3%, less than expected

Singapore kept monetary policy unchanged; 3Q GDP accelerated to +0.7% in 3Q

- US stock markets fell on Thursday, pressured by rising UST yields as traders fretted over still sticky US inflation data. The Dow Jones Industrial Average closed 0.5% d/d lower, S&P 500 declined by 0.6% d/d while tech-heavy Nasdaq lost 0.6% d/d, ending a four-day winning streak. Losses were broad-based, with utilities and materials amongst the worst hit. Shares of Walgreens rallied 7% d/d after growth in its pharmacy and healthcare businesses drove higher revenue.
- Elsewhere, many major European and Asian markets gained for the day. Stoxx Eur 600 and FTSE 100 closed up in tune to 0.1%-0.3% d/d. In Asia, Hang Seng jumped 1.9% d/d as shares of big Chinese banks surged after Central Huijin Investment, China's sovereign wealth fund, increased its stake in Bank of China, Agricultural Bank of China, ICBC and China Construction Bank. CSI 300 also ended 1.0% d/d higher, while Nikkei 225 closed up 1.8% d/d.
- Treasury yields jumped on the back of higher-than-expected US inflation. The benchmark 10Y moved 14bps higher to 4.70%, while the 2Y rose 9bps to 5.07%. Similarly, 10Y European bond yields rose to a tune of 6-10bps.
- DXY rose sharply after the CPI data, jumping 0.7% d/d back to 106.60. European currencies depreciated between 0.9%-1.1% d/d against USD, while regional currencies closed mixed. JPY, CNH and SGD weakened within the range of 0.1-0.5% d/d, but MYR closed stronger at 4.7118 (+0.1% d/d).
- Oil prices closed mixed, with Brent up 0.2% d/d but West Texas Intermediate fell 0.7% d/d after a large build in US crude stockpiles by 10.2m barrels.

Singapore kept monetary policy unchanged; 3Q GDP accelerated and beat expectations

- As anticipated, the Monetary Authority of Singapore (MAS) decided to maintain the prevailing rate of appreciation of the S\$NEER policy band and there will be no change to its width and the level at which it is centred. Key highlights from the accompanying statement includes: 1) MAS expects GDP growth in 2023 to come in at the lower half of the 0.5%–1.5% forecast range and closer to its potential rate in 2024. 2) Core inflation is projected to come in at around 4.0% for 2023, slowing to 2.5%–3.5% for 2024. Headline inflation is projected at around 5.0% and 3.0%–4.0% for 2023 and 2024 respectively.
- In a separate release, 3Q GDP unexpectedly accelerated to +0.7% y/y in 3Q (2Q: +0.5% y/y). Manufacturing continued its downward slide, tumbling 5.0% y/y (2Q: -7.7% y/y) while construction remained sturdy at +6.0% y/y (2Q:

Key Market Metrics

| | Level | d/d (%) |
|--------------------|-----------|---------|
| Equities | | |
| Dow Jones | 33,631.14 | -0.51 |
| S&P 500 | 4,349.61 | -0.62 |
| NASDAQ | 13,574.22 | -0.63 |
| Stoxx Eur 600 | 453.63 | 0.10 |
| FTSE 100 | 7,644.78 | 0.32 |
| Nikkei 225 | 32,494.66 | 1.75 |
| CSI 300 | 3,702.38 | 0.95 |
| Hang Seng | 18,238.21 | 1.93 |
| Straits Times | 3,218.69 | 0.81 |
| KLCI 30 | 1,443.82 | 0.51 |
| FX | | |
| Dollar Index | 106.60 | 0.74 |
| EUR/USD | 1.0528 | -0.87 |
| GBP/USD | 1.2175 | -1.12 |
| USD/JPY | 149.81 | 0.43 |
| AUD/USD | 0.6314 | -1.56 |
| USD/CNH | 7.3098 | 0.12 |
| USD/MYR | 4.7118 | -0.10 |
| USD/SGD | 1.3701 | 0.50 |
| Commodities | | |
| WTI (\$/bbl) | 82.91 | -0.69 |
| Brent (\$/bbl) | 86.00 | 0.21 |
| Gold (\$/oz) | 1,869.30 | -0.19 |
| Copper (\$\$/MT) | 7,991.00 | -0.41 |
| Aluminum(\$/MT) | 2,200.00 | -0.63 |
| CPO (RM/tonne) | 3,562.00 | 0.39 |

Source: Bloomberg, HLBB Global Markets Research

* Dated as of 11 Oct for CPO

+7.0% y/y). The services sector grew at a smaller pace of +1.9% y/y (2Q: +2.8% y/y).

US inflation rate came higher than expected at 3.7% y/y, core eased to +4.1% y/y

- CPI unexpectedly held steady at +3.7% y/y in September, while core prices eased to +4.1% y/y (Aug: +4.3% y/y). Consensus had expected headline prices to moderate slightly to +3.6% y/y. On a m/m basis however, headline prices slowed to +0.4% m/m (Aug: +0.6% m/m) due to energy prices, while core was stable at +0.3% m/m. Shelter, especially rent, was the largest contributor to monthly inflation, but these were offset by a drop in prices for used cars and trucks as well as for apparel.
- In the labour market, jobless claims were unchanged at 209k for the week ended Oct 7, while continuing claims jumped 30k to 1702k the week before (Sep 23: +7k). Real average weekly earnings, meanwhile, fell for the first time by -0.1% y/y in September (Aug: +0.2% y/y). This marks the first contraction since May 2023.

UK's economy grew by 0.2% in August due to services

- Matching expectations, monthly GDP registered mild growth of +0.2% m/m in August (Jul: -0.6% m/m). Output in the services sector rose by 0.4% m/m and was the only positive contributing sector. Manufacturing and construction output fell by 0.7% m/m and 0.5% m/m respectively. Despite the growth in GDP, BOE member of the board Swati Dhingra said that the economy has flatlined amidst weak growth and that only 20%-25% of the impact of the interest rate hikes have been fed through the economy.

Malaysia's IPI registered mild dip

- Although the industrial production index (IPI) fell less than expected by 0.3% y/y in August (July: +0.7% y/y), the underlying trends remains weak as manufacturing output contracted for the third month and at a faster pace of -0.6% y/y (Jul: -0.2% y/y). Output was further dragged down by slower mining output at +0.1% y/y (Jul: +4.2% y/y).
- Within the manufacturing sector, the deterioration was primarily driven by the external-oriented industries (-2.6% y/y vs July: -2.7%) while domestic-oriented industries continued to expand, albeit at a moderated pace of 4.2% y/y (Jul: +6.0% y/y). For the former, the contraction was mainly due to decreases in the manufacture of coke & refined petroleum products (-7.5% y/y) and computer, electronics & optical products (-3.8% y/y). These declines mirrored the country's export performance, which had been trending down since March 2023. For the latter, output growth was supported by manufacture of fabricated metal products, except machinery & equipment (-7.2% y/y) and food processing products (-5.7% y/y). The slower growth in the mining sector was attributable to crude oil and condensates after a bumpy July data (-3.3% y/y vs Jul: +11.8% y/y).

House View and Forecasts

| FX | This Week | 4Q-23 | 1Q-24 | 2Q-24 | 3Q-24 |
|-----------|------------------|--------------|--------------|--------------|--------------|
| 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 |
|--------|-------------------------------------------|--------|
| 13-Oct | 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% |
| 16-Oct | CH 1-Yr Medium-Term Lending Facility Rate | 2.50% |
| | JN Industrial Production MoM (Aug F) | 0.00% |
| | EC Trade Balance SA (Aug) | 2.9b |
| | US Empire Manufacturing (Oct) | 1.9 |

Source: Bloomberg

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