

14 July 2023

Global Markets Research

Daily Market Highlights

14 July: Soft US PPI spurred further market rally

S&P 500, Nasdaq closed at 2023's fresh high; UST yields tumbled further; DXY below 100
PPI came below expectations; services gained but prices for goods were unchanged
UK GDP shrank 0.1% in May; Singapore's 1Q GDP unexpectedly grew 0.3%

- US stocks rose for the fourth day, with the S&P 500 climbing 0.9%, the Dow Jones Industrial Average adding 0.1% while Nasdaq advanced 1.6% d/d. In fact, the S&P 500 and Nasdaq charted fresh highs in 2023, after the US producer prices index (PPI) came in lighter than expected. Tech stocks led gains during the day, with shares of Nvidia and Alphabet amongst the best performers. European stock markets, meanwhile, also closed higher earlier in the day with Stoxx 600 up 0.6%, while FTSE 100 added 0.3% d/d. In Asia, Hang Seng surged 2.6% d/d, while Nikkei 225 climbed 1.5% d/d.
- UST yields continued to slide, with the 10Y tumbling 9bps to 3.76%, while the 2Y fell 12bps to 4.63%. These are the lowest since June. 10Y European bond yields fell in tune to 8-14bps.
- DXY fell for the fifth straight session, dropping 0.8% d/d to close at 99.77. This is the first time the index dipped below 100 since April 2022. EUR strengthened 0.9% d/d to 1.1226 after hitting a new 16-month high earlier in the session. GBP and JPY also rallied to 1.3136 and 138.05 respectively vs the USD, up 1.1% and 0.3% d/d. SGD strengthened 0.6% d/d to 1.3221, while the MYR appreciated a whopping 1.5% d/d to 4.5822, its strongest against the USD since May. The MYR opened much lower at 4.5603 and is trading at 4.5448 at time of writing.
- Oil prices rose over 1.5% d/d on Thursday, with Brent at its 11-week high after Libya's second biggest oil field halted production amidst protest, tightening oil supply. IEA, meanwhile, lowered its global oil consumption projections but still saw demand reaching a record for 2023.

US PPI came below expectations with a mere +0.1% m/m increase

- Headline producer price inflation picked up less than expected by +0.1% m/m in June (May: -0.4% m/m), while core prices held steady at +0.1% m/m for the same month. The increase largely reflected the 0.2% m/m increase in services while prices for goods were unchanged, the former largely driven by prices for deposit services.
- Initial jobless claims unexpectedly fell 12k to 237k for the week ended July 8 (July 1: +13k to 249k), partially reflecting distortions from the July 4 Independence Day holiday. Continuing claims meanwhile, rose 11k to 1729k the prior week (June 24: -15k to 1718k).

Key Market Metrics

| | Level | d/d (%) |
|--------------------|-----------|---------|
| Equities | | |
| Dow Jones | 34,395.14 | 0.14 |
| S&P 500 | 4,510.04 | 0.85 |
| NASDAQ | 14,138.57 | 1.58 |
| Stoxx Eur 600 | 461.36 | 0.61 |
| FTSE 100 | 7,440.21 | 0.32 |
| Nikkei 225 | 32,419.33 | 1.49 |
| Hang Seng | 19,350.62 | 2.60 |
| Straits Times | 3,238.46 | 1.99 |
| KLCI 30 | 1,396.23 | -0.13 |
| FX | | |
| Dollar Index | 99.77 | -0.75 |
| EUR/USD | 1.1226 | 0.87 |
| GBP/USD | 1.3136 | 1.14 |
| USD/JPY | 138.05 | -0.32 |
| AUD/USD | 0.6889 | 1.50 |
| USD/CNH | 7.1504 | -0.21 |
| USD/MYR | 4.5822 | -1.50 |
| USD/SGD | 1.3221 | -0.61 |
| Commodities | | |
| WTI (\$/bbl) | 76.89 | 1.50 |
| Brent (\$/bbl) | 81.36 | 1.56 |
| Gold (\$/oz) | 1,963.80 | 0.11 |
| Copper (\$\$/MT) | 8,694.00 | 2.29 |
| Aluminum(\$/MT) | 2,278.00 | 1.88 |
| CPO (RM/tonne) | 3,855.00 | -0.17 |

Source: Bloomberg, HLBB Global Markets Research
 * Dated as of 12th July for CPO

Eurozone's IPI slowed more than expected; denting hopes of a rebound in manufacturing

- IPI slowed more than expected to +0.2% m/m in May (Apr: +1.0% m/m), reaffirming expectations of no strong bounce back in manufacturing during the quarter. On a y/y basis, production shrank 2.2% y/y (Apr: +0.2% y/y), also missing expectations. Of note, output in Germany suffered a surprised contraction of 0.2% m/m, in line with recent business surveys suggesting that a negative outlook persists.

UK GDP shrank 0.1% in May

- UK's economy shrank slightly and less than expected by 0.1% in May (Apr: +0.2%) as the Coronation of King Charles III weighed on activities in the factories (-0.2% m/m vs Apr: -0.1% m/m) as well as construction sectors (-0.2% m/m vs Apr: -0.9% m/m). Services, the bulk of the economy, stagnated (Apr: +0.3% m/m) as human health and social work activities benefitted from no industrial strikes by junior doctors while increased output was observed for the arts, entertainment and recreation, education as well as information and communication sectors. These increases were offset by a fall in wholesale and retail trade as well as administration and support services, largely caused by a fall in employment activities.

China's exports fell for the second month

- China's exports fell for the second straight month, dipping 12.4% y/y in June (May: -7.5% y/y), while the decline in imports worsened to -6.8% y/y (May: -4.5% y/y). The contraction in exports was the biggest since the pandemic, with shipments to the US, EU and ASEAN all down by double-digit paces. The contraction in imports, meanwhile, reaffirmed signs of weaknesses in domestic demand.

Australia's inflation expectations remained stable but elevated

- The Melbourne Institute's consumer inflation expectations remained stable but elevated at +5.2% y/y in July. As it is, inflation expectations have stayed at this level for the past 3 months after dipping in April.

Singapore unexpectedly grew 0.3% q/q, averting a technical recession

- Singapore averted a technical recession, with its advanced 2Q GDP unexpectedly rebounded to grow by 0.3% q/q (1Q: -0.4% q/q). On a y/y basis, the economy also accelerated to +0.7% y/y (1Q: +0.4% y/y). The stronger growth during the quarter was predominantly due to the services sector (+3.0% y/y vs. +1.8% y/y), while the construction sector grew at a slower pace of +6.6% y/y (1Q: +6.9% y/y). The manufacturing sector remained contractionary, worsening to -7.5% y/y (1Q: -5.3% y/y).

House View and Forecasts

| FX | This Week | 3Q-23 | 4Q-23 | 1Q-24 | 2Q-24 |
|-----------|------------------|--------------|--------------|--------------|--------------|
| DX | 100-103 | 102 | 101 | 100 | 99 |
| EUR/USD | 1.08-1.12 | 1.11 | 1.12 | 1.14 | 1.12 |
| GBP/USD | 1.26-1.30 | 1.29 | 1.31 | 1.33 | 1.30 |
| USD/JPY | 138-143 | 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 | 1.32-1.35 | 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 |
|--------|---|---------|
| 14-Jul | JN Industrial Production MoM (May F) | -1.60% |
| | EC Trade Balance SA (May) | -7.1b |
| | US Import Price Index MoM (Jun) | -0.60% |
| | US Export Price Index MoM (Jun) | -1.90% |
| | US U. of Mich. Sentiment (Jul P) | 64.4 |
| | US U. of Mich. 1 Yr Inflation (Jul P) | 3.30% |
| | US U. of Mich. 5-10 Yr Inflation (Jul P) | 3.00% |
| 17-Jul | SI Non-oil Domestic Exports YoY (Jun) | -14.70% |
| | CH 1-Yr Medium-Term Lending Facility Rate | 2.65% |
| | CH GDP YoY (2Q) | 4.50% |
| | CH Industrial Production YoY (Jun) | 3.50% |
| | CH Retail Sales YoY (Jun) | 12.70% |
| | CH Fixed Assets Ex Rural YTD YoY (Jun) | 4.00% |
| | CH Surveyed Jobless Rate (Jun) | 5.20% |
| | US Empire Manufacturing (Jul) | 6.6 |

Source: Bloomberg

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