

14 August 2023

Global Markets Research

Daily Market Highlights

14 Aug: UST yields, DXY gained on stronger PPI

PPI accelerated on services; Consumer sentiment fell despite lower inflation expectations

Oil prices jumped after IEA raised global demand forecast; Demand driven by China

UK's 2Q GDP picked up to +0.5% m/m; HK's 2Q GDP maintained at +1.5% y/y

- Nasdaq led losses in Wall Street on Friday, dipping 0.7% d/d pulled down by a selloff in semiconductor stocks such as Nvidia after conflicting signals from the latest price prints weighed down on growth stocks. US producer price inflation (PPI) ticked up in July after June's flat reading, a reminder that the Fed's battle with inflation may not be over. The S&P 500 also inched lower by 0.1% d/d, but Dow Jones Industrial Average added 0.3% d/d. European markets closed lower, with Stoxx Eur 600 down 1.1% d/d while FTSE 100 fell 1.2% d/d. Asian markets closed mixed, although Hang Seng slipped 0.9% d/d, while Japan's markets were closed for a public holiday.
- UST yields rose after the higher-than-expected PPI. The 2Y ticked up 5bps to 4.90%, while the 10Y added close to 5bps to 4.15%, 10Y European bond yields jumped between 8-16bps.
- DXY strengthened 0.3% d/d to 102.84 after the PPI print. The stronger Dollar also led the JPY to briefly touch 145.00, its highest since June 30. JPY, nonetheless, closed the day 0.2% d/d weaker at 144.96. GBP logged its first gain in 4 days at +0.2% d/d, after data showed the British economy grew more than expected in June. EUR weakened 0.3% d/d. Closer to home, CNH and SGD depreciated by 0.2% d/d each to close at 7.2601 and 1.3522 respectively. MYR closed 0.4% d/d weaker at 4.5880 in the run-up to the state elections. Both the Pakatan Harapan and Perikatan Nasional retained three states each in a status quo result.
- Oil prices edged higher at +0.5% d/d after the International Energy Agency (IEA) forecast record global demand amidst tightening supplies, propelling prices to the seventh straight week of gains, the longest such streak since 2022. Global oil demand is set to expand by 2.2 mb/d to 102.2 mb/d in 2023, with China accounting for more than 70% of growth.

US PPI accelerated m/m on services; Consumer sentiment retreated

- US PPI picked up more than expected, with headline and core accelerating to +0.3% m/m each in July (June: No change and -0.1% m/m). Services costs pushed the index higher, rising 0.5% m/m, the largest gain since August 2022. Much of that came from a 7.6% m/m surge in prices for portfolio management. In addition, there was a 0.7% m/m jump in prices for trade services, along with a 0.5% m/m increase in transportation and warehousing.
- After 2 consecutive months of increase, the University of Michigan Sentiment's consumer sentiment turned around and edged down slightly to 71.2 in August (July: 71.6). Nonetheless, sentiment is now about 42% above the all-time

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	35,281.40	0.30
S&P 500	4,464.05	-0.11
NASDAQ	13,644.85	-0.68
Stoxx Eur 600	459.17	-1.09
FTSE 100	7,524.16	-1.24
Nikkei 225	32,473.65	0.84
Hang Seng	19,075.19	-0.90
Straits Times	3,294.28	-0.86
KLCI 30	1,457.16	-0.12
FX		
Dollar Index	102.84	0.31
EUR/USD	1.0949	-0.29
GBP/USD	1.2696	0.16
USD/JPY	144.96	0.15
AUD/USD	0.6496	-0.29
USD/CNH	7.2601	0.24
USD/MYR	4.5880	0.38
USD/SGD	1.3522	0.21
Commodities		
WTI (\$/bbl)	83.19	0.45
Brent (\$/bbl)	86.81	0.47
Gold (\$/oz)	1,912.90	-0.08
Copper (\$\$/MT)	8,294.50	-1.09
Aluminum(\$/MT)	2,175.50	-1.29
CPO (RM/tonne)	3,756.00	0.66

Source: Bloomberg, HLBB Global Markets Research
* Dated as of 10 Aug for CPO and Nikkei 225

historic low in June 2022 and is approaching the historical average of 86 at this level. Both the year-ahead and long-run inflation expectations eased to 3.3% and 2.9% respectively (July: +3.4% and +3.0%).

UK 2Q GDP beat expectations

- Monthly GDP picked up more than expected to +0.5% m/m in June (May: -0.1% m/m, Apr: +0.2% m/m). Monthly GDP is now estimated to be 0.8% above its pre-COVID levels and was driven by the additional bank holiday in May, thus lower base effect, as well as the warm weather in June, which boosted the hospitality, tourism and construction sectors. In tandem with this, data also showed that the economy accelerated to its strongest pace in more than a year by +0.2% q/q in 2Q (1Q: +0.1% q/q), contributed by consumption, both household and government on the demand side and manufacturing on the supply side.

China's new loan plunged to 14-year low

- China's aggregate financing plunged more than expected to 0.5tn yuan in July (June: 4.2tn yuan), the lowest since at least 2017 when the series began. In tandem with this, monthly new loans hit its lowest in 14-years at 0.3tn yuan. Both the household loans and funding for corporates recorded a drop in loans during the month.

Hong Kong economy grew by 1.5% in 2Q

- Hong Kong's final GDP was left unchanged at +1.5% y/y in 2Q (1Q: +2.9% y/y), while on a q/q basis, growth registered its first contraction since 3Q of 2022, dipping by 1.3% q/q (1Q: +5.4% q/q). On a y/y basis, the moderation in growth was underpinned by slower consumer spending (+8.2% y/y vs 2Q: +13.0% y/y), while government spending and investment turned contractionary during the quarter. Trade in goods continued to register double digit contractions amidst softer global growth which affected external demand, while conversely, exports and imports of services continued to chalk second consecutive quarters of double-digit growths, benefitting from the reopening of the border and thus, revival of tourism activities.
- Despite the disappointing data, the government remained optimistic over the state of the economy, with expectations that improving labour market conditions, inbound tourism as well as Government's various measures to support a still robust consumer spending, but this will be weighed down by tighter financial conditions as well as a difficult global economic environment which will weigh down on exports of goods. Taking account of these factors as well as its 1H's performance, the Government narrowed its 2023 GDP projection to "4.0%-5.0%" from "3.5%-5.5%."

House View and Forecasts

FX	This Week	3Q-23	4Q-23	1Q-24	2Q-24
DX	100-104	102	101	100	99
EUR/USD	1.08-1.12	1.11	1.12	1.14	1.12
GBP/USD	1.25-1.29	1.29	1.31	1.33	1.30
USD/JPY	142-147	141	139	136	133
AUD/USD	0.64-0.67	0.67	0.68	0.68	0.69
USD/MYR	4.50-4.60	4.69	4.64	4.60	4.55
USD/SGD	1.33-1.36	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	4.35	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-Aug	NZ Performance Services Index (Jul)	50.1
	GE Wholesale Price Index MoM (Jul)	-0.20%
15-Aug	AU CBA Household Spending MoM (Jul)	
	JN GDP SA QoQ (2Q P)	0.70%
	CH 1-Yr Medium-Term Lending Facility Rate (42217)	2.65%
	AU RBA Minutes of Aug. Policy Meeting ()	
	AU Wage Price Index QoQ (2Q)	0.80%
	CH Industrial Production YTD YoY (Jul)	3.80%
	CH Retail Sales YTD YoY (Jul)	8.20%
	CH Fixed Assets Ex Rural YTD YoY (Jul)	3.80%
	CH Surveyed Jobless Rate (Jul)	5.20%
	JN Industrial Production MoM (Jun F)	2.00%
	UK Average Weekly Earnings 3M/YoY (Jun)	6.90%
	UK ILO Unemployment Rate 3Mths (Jun)	4.00%
	UK Employment Change 3M/3M (Jun)	102k
	EC ZEW Survey Expectations (Aug)	-12.2
	US Retail Sales Advance MoM (Jul)	0.20%
	US Import Price Index MoM (Jul)	-0.20%
	US Export Price Index MoM (Jul)	-0.90%
	US Empire Manufacturing (Aug)	1.1
	US Business Inventories (Jun)	0.20%
	US NAHB Housing Market Index (Aug)	56

Source: Bloomberg

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