14 September 2023

Global Markets Research

Daily Market Highlights

14 Sep: Renewed pick-up in US headline CPI

Easing core CPI in the US affirmed expectations for a Fed rate pause in September

Weak economic data in the Eurozone and UK supported views of peaked rate cycle

IEA: Oil demand to outweigh supply in 2H, echoing OPEC's projection

- Wall Street closed mixed post the slightly hotter-than expected US CPI print. While the Dow lost 0.2% d/d, the S&P 500 and Nasdaq were up 0.1% d/d and 0.3% d/d respectively. US headline CPI reaccelerated to its fastest pace in more than a year at +0.6% m/m driven by higher gasoline prices, but was not enough to sway the consensus view of no rate hike in the September FOMC meeting. Amongst the notable gainers were Moderna and Citigroup, but American and Spirit Airlines declined after cutting their forecasts.

- European and Asian equity indices mostly fell by less than 0.3% d/d each, with the former hit by weak economic data on both the Eurozone and UK front. CSI 300 fell by a larger quantum of 0.6% d/d. For today, equity futures suggests that Asian stocks are set to open mixed, taking its cue from Wall Street.

- UST yields spiked on the jump in CPI print, but quickly retreated, closing 5bps lower at 4.97% for the 2Y and 3bps lower at 4.25% for the 10Y.10Y European bond yields closed mixed between -7 to +4bps.

- DXY hovered near the 104.70 level, spiking close to the 105-handle before ending at 104.77 (+0.1% d/d). EUR weakened 0.2% d/d, while GBP closed flat at 1.2490. Trading in regional currencies were mild, generally depreciating by less than 0.3% d/d as investors awaited the US CPI print. The exception was CNH which strengthened by 0.4% d/d to 7.2719.

- Oil prices hovered near its 10-month high but managed to close lower. Overnight, IEA report showed that the agency expects demand to eclipse supply by 1.2m barrels/day in 2H, echoing OPEC's projection earlier. Meanwhile, the Energy Information Administration reported that US crude inventories rose by almost 4m barrels last week.

US headline inflation accelerated on energy

- Headline inflation reaccelerated more than expected to +3.7% y/y in August (Jul: +3.2% y/y), while core moderated to +4.3% y/y (Jul: +4.7% y/y). On a m/m basis, prices gained pace (+0.6% vs July: +0.2%), with gasoline prices accounting for over half of the increase and a gentler reminder of ongoing upside risks to inflation due to energy prices. Also contributing to the m/m increase was continued advancement in the shelter index. Notably, stripping both energy and food, core prices accelerated for the first time since June on a month-on month comparison (+0.3% vs +0.2% m/m), keeping risk of another Fed rate hike in play but not enough to change ours as well as market

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	34,575.53	-0.20
S&P 500	4,467.44	0.12
NASDAQ	13,813.58	0.29
Stoxx Eur 600	453.94	-0.32
FTSE 100	7,525.99	-0.02
Nikkei 225	32,706.52	-0.21
CSI 300	3,736.65	-0.64
Hang Seng	18,009.22	-0.09
Straits Times	3,218.93	0.14
KLCI 30	1,453.54	0.01
FX		
Dollar Index	104.77	0.05
EUR/USD	1.0730	-0.22
GBP/USD	1.2490	0.00
USD/JPY	147.46	0.26
AUD/USD	0.6422	-0.06
USD/CNH	7.2719	-0.40
USD/MYR	4.6810	0.05
USD/SGD	1.3611	0.04
Commodities		
WTI ($/bbl)	88.52	-0.36
Brent ($/bbl)	91.88	-0.20
Gold ($/oz)	1,914.40	-0.15
Copper ($$/MT)	8,417.00	0.31
Aluminum($/MT)	2,217.50	0.96
CPO (RM/tonne)	3,651.00	-1.42

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

expectations that the FOMC will maintain the benchmark rates unchanged next week.

- Separate data also showed that real average weekly earnings picked up slightly to +0.3% y/y in August (Jul: +0.2% y/y) but declined m/m (-0.1% m/m vs Jul: 0.0%).
- Mortgage applications decreased 0.8% w/w for the week ended Sep 8 to its lowest level since 1996 (Sep 1: -2.9% w/w). The decline was driven by a 5.4% w/w drop in refinance applications. Given the elevated mortgage rates (30Y fixed mortgage rate at 7.27%), refinance activity is expected to stay minimal and there will be less incentive for homeowners to sell and buy a new home at a higher rate.

Eurozone's IPI shrank for the first time 4-months

- Industrial production in the Eurozone declined for the first time in four months and by more than expected by 1.1% m/m in July (June: +0.4% m/m), driven by the deterioration in capital goods and durable consumer goods output. Data also showed that output fell in Germany and Italy, but increased for France and Spain. This is largely in line with the European Commission's downgrade of the region's GDP to +0.8% in 2023 from +1.1% y/y previously.

UK's GDP contracted 0.5% m/m in July

- Real GDP for the month of July fell more than expected and at its quickest pace in 7-months by 0.5% m/m (June: +0.5% m/m). The latest data adds further evidence that the economy is losing momentum and will give the BOE pause for thought when they meet next week. The dominant services sector fell 0.5% m/m during the month (June: +0.2% mm), as cool and rainy weather tempered spending. Output was also dented as doctors, teachers and rail staff went on strike.
- RICS House Price Index slid further to -68 in August (Jul: -55). This is the lowest since 2009 with most sub-indices worsened, led by price expectations. The exception was sales expectations which improved but remained negative.

Australia's HSI Index picked up

- CBA Household spending picked up for the third month to +0.7% m/m in August (Jul: +0.6% m/m) driven by education due to a surge in international students, transport because of higher prices of petrol, recreation due to FIFA, household goods, motor vehicles as ~~we~~ll as health and insurance. Growth on a y/y basis also accelerated to +2.3% y/y (Jul: +1.9% y/y), but off its 8.3% y/y peak in May 2022 as the impact of a more restrictive financial condition filtered in.

Japan's machinery orders fell more than expected

- Core machinery orders fell more than expected by 1.1% m/m and 13.0% y/y in July (June: +2.7% m/m and -5.8% y/y). On a m/m basis, the reversal in orders were underpinned by a larger contraction in manufacturing sector while growth in non-manufacturing moderated. This trend is expected to persist for the rest of 3Q, as core-orders is expected to contract by 2.6% q/q (2Q: -3.2% q/q).

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
14-Sep	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%
15-Sep	CH 1-Yr Medium-Term Lending Facility Rate	2.50%
	CH New Home Prices MoM (Aug)	-0.23%
	CH Industrial Production YTD YoY (Aug)	3.80%
	CH Retail Sales YTD YoY (Aug)	7.30%
	CH Fixed Assets Ex Rural YTD YoY (Aug)	3.40%
	CH Surveyed Jobless Rate (Aug)	5.30%
	UK BoE/Ipsos Inflation Next 12 Mths (Aug)	3.50%
	EC Trade Balance SA (Jul)	12.5b
	EC Labour Costs YoY (2Q)	5.00%
	US Import Price Index YoY (Aug)	-4.40%
	US Export Price Index YoY (Aug)	-7.90%
	US Empire Manufacturing (Sep)	-19
	US Industrial Production MoM (Aug)	1.00%
	US U. of Mich. Sentiment (Sep P)	69.5
	US U. of Mich. 1 Yr Inflation (Sep P)	3.50%
	US U. of Mich. 5-10 Yr Inflation (Sep P)	3.00%

Source: Bloomberg

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