

15 August 2023

## Global Markets Research

### Daily Market Highlights

# 15 Aug: UST yields rose amidst inflation concerns

**Tech stocks lifted the US equities markets; DXY closed above 103; JPY above 145**

**Hang Seng lost 1.6% on Country Garden; Oil prices fell on concerns over China's growth**

**Japan logged strongest q/q GDP growth since 2020 on export gains**

- Tech stocks made a comeback on Tuesday, lifting Nasdaq higher by 1.1% d/d, while the S&P 500 also added 0.6% d/d. The Dow Jones Industrial Average gained at a milder pace of +0.1% d/d. Highlighting the day's strength in tech stocks was AI poster child Nvidia, which rallied 7.1% d/d after a major US stockbroker reiterated the stock as a "top pick" ahead of Nvidia's 2Q's earnings results.
- In Europe, Stoxx 600 rose 0.2% d/d boosted by retail stocks, which overshadowed mining retreat on China economic concerns. FTSE 100, on the other hand rose, fell 0.2% d/d. In Asia, Chinese stocks fell broadly, with Country Garden's Hong Kong listed shares plunging 18% after the developer said that trading in 11 of its yuan-denominated domestic bonds has been suspended. Hang Seng lost 1.6% d/d, while CSI 300 also shed 0.7% d/d. In Japan, Nikkei 225 dropped 1.3% d/d.
- Lingering inflation concerns weighed on bonds, with the 2Y UST yield gaining 7bps to 4.97%. The 10Y yield rose 4bps to 4.19%, a new high since early November after testing 4.21% earlier in the day. 10Y European bond yields closed higher in tune of 1-4bps save the Norwegian bonds which slid 2bps.
- DXY surged 0.3% d/d and closed above 103 for the first time since July 6. JPY was volatile, depreciating 0.4% d/d to its weakest since last November at 145.56. EUR and GBP also weakened between 0.1%-0.4% d/d, while AUD weakened 0.1% d/d undermined by disappointing economic data recently from China, the biggest buyer of its resource exports. Regional currencies also closed weaker between 0.2%-0.6% d/d each, with MYR and SGD ending at 4.6157 and 1.3557.
- Oil prices sputtered and slid between 0.7%-0.8% d/d on worries about China's faltering economic recovery. As it is, China is scheduled to release a string of July's economic data today, from the IPI to fixed asset investment, which will provide more clarity on the state of the economy.

#### Germany's wholesale price contracted for the fourth month

- Germany's wholesale prices remained contractionary for the fourth month, unchanged at -0.2% m/m in July but contracted at a softer pace of -2.8% y/y (June: -2.9% y/y). The lower prices were largely owed to a sharp decline in prices for mineral oil products.

#### Key Market Metrics

|                    | Level     | d/d (%) |
|--------------------|-----------|---------|
| <b>Equities</b>    |           |         |
| Dow Jones          | 35,307.63 | 0.07    |
| S&P 500            | 4,489.72  | 0.58    |
| NASDAQ             | 13,788.33 | 1.05    |
| Stoxx Eur 600      | 459.86    | 0.15    |
| FTSE 100           | 7,507.15  | -0.23   |
| Nikkei 225         | 32,059.91 | -1.27   |
| Hang Seng          | 18,773.55 | -1.58   |
| Straits Times      | 3,247.70  | -1.41   |
| KLCI 30            | 1,457.00  | -0.01   |
| <b>FX</b>          |           |         |
| Dollar Index       | 103.19    | 0.34    |
| EUR/USD            | 1.0906    | -0.39   |
| GBP/USD            | 1.2683    | -0.10   |
| USD/JPY            | 145.56    | 0.41    |
| AUD/USD            | 0.6487    | -0.14   |
| USD/CNH            | 7.2793    | 0.26    |
| USD/MYR            | 4.6157    | 0.60    |
| USD/SGD            | 1.3557    | 0.26    |
| <b>Commodities</b> |           |         |
| WTI (\$/bbl)       | 82.51     | -0.82   |
| Brent (\$/bbl)     | 86.21     | -0.69   |
| Gold (\$/oz)       | 1,910.60  | -0.12   |
| Copper (\$\$/MT)   | 8,291.50  | -0.04   |
| Aluminum(\$/MT)    | 2,146.00  | -1.36   |
| CPO (RM/tonne)     | 3,756.00  | 0.66    |

Source: Bloomberg, HLBB Global Markets Research

\* Dated as of 10 Aug for CPO

#### New Zealand's PSI contracted for the second month

- New Zealand's Performance Services Index dipped further into the negative territory to 47.8 in July (June: 49.6), predominantly due to the activity sales/ratio followed by new orders/business sub-indices.

#### Japan's 2Q GDP beat expectations at +6.0% q/q

- Japan's economy accelerated more than expected by 6.0% annualized SA q/q in 2Q (1Q: upwardly revised +3.7% q/q). This marks 3 consecutive quarters of improvement and the strongest growth since 4Q of 2020. The uptick was largely driven by a positive turnaround in net exports contribution to GDP (+1.8ppts vs 1Q: -0.3ppts), supported by recovering external demand for autos as well as rising number of inbound travellers.

#### House View and Forecasts

| FX      | This Week | 3Q-23 | 4Q-23 | 1Q-24 | 2Q-24 |
|---------|-----------|-------|-------|-------|-------|
| DXY     | 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  |
|--------|---|--------|
| 15-Aug | CH 1-Yr Medium-Term Lending Facility Rate | 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%  |
|        | 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    |
| 16-Aug | US Business Inventories (Jun)             | 0.20%  |
|        | US NAHB Housing Market Index (Aug)        | 56     |
|        | AU Westpac Leading Index MoM (Jul)        | 0.11%  |
|        | CH New Home Prices MoM (Jul)              | -0.06% |
|        | UK CPI YoY (Jul)                          | 7.90%  |
|        | UK PPI Output NSA YoY (Jul)               | 0.10%  |
|        | UK PPI Input NSA YoY (Jul)                | -2.70% |
|        | UK House Price Index YoY (Jun)            | 1.90%  |
|        | EC GDP SA QoQ (2Q P)                      | 0.30%  |
|        | EC Industrial Production SA MoM (Jun)     | 0.20%  |
|        | EC Employment QoQ (2Q P)                  | 0.60%  |
|        | US MBA Mortgage Applications              | -3.10% |

#### Hong Leong Bank Berhad

Fixed Income & Economic Research, Global Markets  
 Level 8, Hong Leong Tower  
 6, Jalan Damansara  
 Bukit Damansara  
 50490 Kuala Lumpur  
 Tel: 603-2081 1221  
 Fax: 603-2081 8936

[HLMarkets@hlbb.hongleong.com.my](mailto:HLMarkets@hlbb.hongleong.com.my)

|  |        |
|--|--------|
| US Housing Starts MoM (Jul)                      | -8.00% |
| US Building Permits MoM (Jul)                    | -3.70% |
| US New York Fed Services Business Activity (Aug) | 0      |
| US Industrial Production MoM (Jul)               | -0.50% |

Source: Bloomberg

#### DISCLAIMER

This report is for information purposes only and does not take into account the investment objectives, financial situation or particular needs of any particular recipient. The information contained herein does not constitute the provision of investment advice and is not intended as an offer or solicitation with respect to the purchase or sale of any of the financial instruments mentioned in this report and will not form the basis or a part of any contract or commitment whatsoever.

The information contained in this publication is derived from data obtained from sources believed by Hong Leong Bank Berhad ("HLBB") to be reliable and in good faith, but no warranties or guarantees, representations are made by HLBB with regard to the accuracy, completeness or suitability of the data. Any opinions expressed reflect the current judgment of the authors of the report and do not necessarily represent the opinion of HLBB or any of the companies within the Hong Leong Bank Group ("HLB Group"). The opinions reflected herein may change without notice and the opinions do not necessarily correspond to the opinions of HLBB. HLBB does not have an obligation to amend, modify or update this report or to otherwise notify a reader or recipient thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

HLB Group, their directors, employees and representatives do not have any responsibility or liability to any person or recipient (whether by reason of negligence, negligent misstatement or otherwise) arising from any statement, opinion or information, expressed or implied, arising out of, contained in or derived from or omission from the reports or matter.

Potential and actual conflict of interest may arise from the activities of HLB Group. HLB Group constitute a diversified financial services group. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, hedging transactions and other activities for their own account or the account of others. In the ordinary course of their business, HLB Group may effect transactions for their own account or for the account of their customers and hold long or short positions in the financial instruments. HLB Group, in connection with its business activities, may possess or acquire material information about the financial instruments. Such activities and information may involve or have an effect on the financial instruments. HLB Group have no obligation to disclose such information about the financial instruments or their activities.

The past performance of financial instruments is not indicative of future results. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Any projections or forecasts mentioned in this report may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information. No assurance can be given that any opinion described herein would yield favourable investment results. Recipients who are not market professional or institutional investor customer of HLBB should seek the advice of their independent financial advisor prior to taking any investment decision based on the recommendations in this report.

HLBB may provide hyperlinks to websites of entities mentioned in this report, however the inclusion of a link does not imply that HLBB endorses, recommends or approves any material on the linked page or accessible from it. Such linked websites are accessed entirely at your own risk. HLBB does not accept responsibility whatsoever for any such material, nor for consequences of its use.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. This report is for the use of the addressees only and may not be redistributed, reproduced or passed on to any other person or published, in part or in whole, for any purpose, without the prior, written consent of HLBB. The manner of distributing this report may be restricted by law or regulation in certain countries. Persons into whose possession this report may come are required to inform themselves about and to observe such restrictions. By accepting this report, a recipient hereof agrees to be bound by the foregoing limitations.