

[ / 15 November 2023

## Global Markets Research

### Daily Market Highlights

# 15 Nov: Cooler-than-expected CPI pared rate hike bets

**Faster than expected easing in US CPI; Fed fund futures pricing no rate hikes in Dec**  
**US equity markets rallied; DXY slid below 104 briefly; UST yields tumbled post CPI print**  
**Eurozone's and Japan's 3Q GDP fell; solid wage growth in the UK; all eyes on PBoC today**

- Stocks rallied on Tuesday, as Wall Street cheered newly released US inflation data that raised hopes that the Federal Reserve is wrapping up its rate-hiking campaign. The Dow Jones Industrial Average and S&P 500 rallied 1.4% d/d and 1.9% d/d respectively, while Nasdaq jumped 2.4% d/d with broad-based gains observed after US CPI prints came in lower than expected and fed-funds futures pricing data showing traders had removed any chance of a hike in December.
- European markets also closed higher after the US inflation print came in cooler than expected, while sentiment in Asian markets were boosted ahead of Biden-Xi talks.
- Treasury yields tumbled following the soft inflation report, with the 2Y down 20bps to 4.84%, and the 10Y plunging 19bps to 4.45%. 10Y European bond yields also closed 9-16bps lower earlier in the day.
- DXY slid to as low as 103.99 before recovering slightly to end the day 1.5% d/d lower at 104.05. USD weakened against all its G10 peers, between 0.8-2.4% d/d and closed mixed against regionals. CNH and SGD strengthened 0.6-0.7% d/d against USD but MYR weakened 0.2% d/d to 4.7172.
- Oil prices were little changed, paring early gains on signs of easing tensions in the Middle East as well as on signs of a less tight oil market. The International Energy Agency boosted forecasts for world fuel consumption for 2023 to a record annual average of 102m barrel/day due to China, but still anticipated a supply shortfall in 4Q, albeit approximately 30% smaller than previously projected.

#### US inflation cooler than expected

- Both the headline and core CPI came in softer than expected at +3.2% y/y and +4.0% y/y respectively in October (Sep: +3.7% y/y and +4.1% y/y). On a m/m basis, prices were unchanged (Sep: +0.4% m/m) as energy prices fell 2.5% m/m due to a 5.0% m/m plunge in gasoline prices while core services also decelerated to 0.3% m/m (Sep: +0.6% m/m) due to shelter. Coupled with a stall in real average weekly earnings in September and October, inflation is on track for a broad slowdown, erasing bets on more rate hikes in December.
- NFIB Small Business Optimism index fell less than expected to 90.7 in October (Sep: 90.8) and remained below the 50-year average. The October data shows that small businesses are still recovering but business owners are not optimistic about better business conditions. Small business owners are not growing their inventories as labor and energy costs are not falling, making it a gloomy outlook for the remainder of the year.

#### Key Market Metrics

	Level	d/d (%)
<b>Equities</b>		
Dow Jones	34,827.70	1.43
S&P 500	4,495.70	1.91
NASDAQ	14,094.38	2.37
Stoxx Eur 600	452.60	1.34
FTSE 100	7,440.47	0.20
Nikkei 225	32,695.93	0.34
CSI 300	3,582.06	0.07
Hang Seng	17,396.86	-0.17
Straits Times	3,104.66	-0.07
KLCI 30	1,451.72	0.45
<b>FX</b>		
Dollar Index	104.05	-1.49
EUR/USD	1.0879	1.69
GBP/USD	1.2499	1.79
USD/JPY	150.37	-0.89
AUD/USD	0.6507	2.04
USD/CNH	7.2525	-0.55
USD/MYR	4.7172	0.18
USD/SGD	1.3489	-0.74
<b>Commodities</b>		
WTI (\$/bbl)	78.26	0.00
Brent (\$/bbl)	82.47	-0.06
Gold (\$/oz)	1,966.50	0.84
Copper (\$\$/MT)	8,235.00	0.83
Aluminum(\$/MT)	2,231.00	0.34
CPO (RM/tonne)	3,671.00	0.37

Source: Bloomberg, HLBB Global Markets Research  
 \* Dated as of 10 Nov for CPO

#### **Eurozone's economy contracted by 0.1% q/q in 3Q; employment picked up**

- The preliminary estimate for Eurozone's GDP matched expectations to contract by -0.1% q/q in 3Q (2Q: +0.2% q/q), putting the economy at risk of a technical recession, but employment grew at a faster pace of +0.3% q/q (2Q: +0.1% q/q). Driving the slowdown was the German economy, which contracted by 0.1% q/q (2Q: +0.1% q/q), while France and Italy showed +0.1% q/q and zero growth (2Q: +0.6% q/q and -0.4% q/q).
- On a positive note, the ZEW Survey Expectations jumped to 13.8 in October (Sep: 2.3) and is clearly in positive territory, raising expectations that the economy has bottomed out. The improvement in the expectations index was driven by a more optimistic prospects for the German industrial sector and stock markets as well as turning points in inflation and short- and long-term interest rates

#### **UK wage growth still strong, payrolled employees monthly change unexpectedly rose**

- Payrolled employees monthly change came significantly above street estimate with a +33k gain in October (Sep: upwardly revised +32k), while the increase in average weekly earnings ex-bonus remains high at 7.7% y/y for the three months ending September (Aug: +7.9% y/y). This is still among the largest annual growth rates seen outside of the COVID-19 pandemic period and was driven by the finance and business services as well as manufacturing sectors. As it is, while the labour market and pay growth have cooled, it may not be enough to bring inflation back to the 2% target quickly, thus reaffirming our expectations of a higher-for-longer stance for the BOE policy rates.

#### **Australia's business conditions improved although confidence worsened**

- NAB Business Conditions improved slightly to 13 in October (Sep: 12) but confidence worsened to -2 (Sep:0). Driving the better condition is improved trading, profitability as well as stock sub-indices.

#### **Japan's 3Q GDP shrank more than expected on net exports**

- Data this morning showed that Japan's 3Q GDP shrinking more than expected by 0.5% q/q in 3Q (2Q: +1.1% q/q), its first quarterly contraction in 2023. Driving the contraction were negative net export contributions to GDP at -0.1% (2Q: +1.8%), while business spending also fell, albeit at a softer pace of -0.6% q/q (2Q: -1.0% q/q). Consumer spending, on the other hand, improved to zero growth from a -0.1% q/q contraction previously. The latest data suggests that economic recovery in Japan remains patchy and gives the BOJ a reason to delay any change to its monetary policy stance.

#### **House View and Forecasts**

<b>FX</b>	<b>This Week</b>	<b>4Q-23</b>	<b>1Q-24</b>	<b>2Q-24</b>	<b>3Q-24</b>
DXY	104-108	107	107	106	105
EUR/USD	1.05-1.08	1.04	1.04	1.04	1.05
GBP/USD	1.21-1.24	1.20	1.20	1.20	1.21
USD/JPY	149-153	150	147	144	141
AUD/USD	0.62-0.66	0.64	0.65	0.66	0.67
USD/MYR	4.64-4.73	4.74	4.69	4.65	4.60
USD/SGD	1.34-1.37	1.38	1.37	1.35	1.34

<b>Rates, %</b>	<b>Current</b>	<b>4Q-23</b>	<b>1Q-24</b>	<b>2Q-24</b>	<b>3Q-24</b>
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	4.35	4.35	4.35	4.35	4.10
BNM	3.00	3.00	3.00	3.00	3.00

Source: HLBB Global Markets Research

## Up Next

Date	Events	Prior
15-Nov	AU Wage Price Index QoQ (3Q)	0.80%
	CH 1-Yr Medium-Term Lending Facility Rate	2.50%
	CH Industrial Production YTD YoY (Oct)	4.00%
	CH Retail Sales YTD YoY (Oct)	6.80%
	CH Fixed Assets Ex Rural YTD YoY (Oct)	3.10%
	CH Surveyed Jobless Rate (Oct)	5.00%
	JN Industrial Production MoM (Sep F)	0.20%
	UK CPI Core YoY (Oct)	6.10%
	UK PPI Input NSA MoM (Oct)	0.40%
	UK House Price Index YoY (Sep)	0.20%
	EC Industrial Production SA MoM (Sep)	0.60%
	EC Trade Balance SA (Sep)	11.9b
	EC EU Commission Economic Forecasts	
	US MBA Mortgage Applications	2.50%
	US Retail Sales Advance MoM (Oct)	0.70%
16-Nov	US PPI Final Demand YoY (Oct)	2.20%
	US Empire Manufacturing (Nov)	-4.6
	JN Core Machine Orders MoM (Sep)	-0.50%
	JN Exports YoY (Oct)	4.30%
	AU Consumer Inflation Expectation (Nov)	4.80%
	AU Employment Change (Oct)	6.7k
	AU Unemployment Rate (Oct)	3.60%
	HK Unemployment Rate SA (Oct)	2.80%
	US New York Fed Services Business Activity (Nov)	-19.1
	US Import Price Index YoY (Oct)	-1.70%
	US Export Price Index YoY (Oct)	-4.10%
	US Initial Jobless Claims	217k
	US Philadelphia Fed Business Outlook (Nov)	-9
	US Industrial Production MoM (Oct)	0.30%
	US NAHB Housing Market Index (Nov)	40

Source: Bloomberg

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