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Global Markets Research

Daily Market Highlights

16 Aug: PBoC unexpectedly cut its 1Y MLF rate to 2.50%

Weak China economic data dampened sentiment; Equity markets, CNH weakened

US retail sales beat expectations, but builder confidence, Empire Manufacturing fell

UK wage grew at its fastest pace on record; GBP appreciated on inflation concerns

- Concerns over China's faltering economic growth weighed on investor sentiment, with the Dow Jones Industrial Average sliding 1.0% d/d, breaking a three-day positive streak while Nasdaq lost 1.1% d/d. The S&P 500 also pulled back by 1.2% d/d led by energy and financial stocks. A packed earnings week for the largest retailers kicked into gear on Tuesday, with Home Depot reporting earnings that topped estimates. Target and Walmart are set to report earnings later in the week.
- Similarly, European markets fell during the day led by the real estate and consumer products sectors. Stoxx Eur 600 index closed 0.9% d/d lower, while FTSE 100 shed 1.6% d/d. This is despite shares of Marks & Spencer Group Plc, nevertheless, jumped after the retailer raised its profit outlook. Asian markets closed mixed, with Nikkei 225 climbing 0.6% d/d after Japan reported a much-stronger-than expected 2Q GDP. Hang Seng slid 1.0% d/d while CSI 300 was down 0.2% d/d after the slew of disappointing China data.
- UST yields swung during the day, with the 10Y closing up 2bps at 4.21% after backing off its morning highs, while the 2Y closed 2bps lower at 4.95%. In Europe, the pop in UK wage numbers and better-than-expected ZEW expectations for Germany weighed down on bonds, sending the 10Y European bond yields higher between 2 to 7bps.
- DXY hovered on either side of 103 before closing the day flattish at 103.21. While EUR closed flat at 1.0905 against USD, GBP appreciated by 0.2% d/d after UK wages grew at a record pace, increasing pressure for BOE to raise rates. In Asia, CNH depreciated by a whopping 0.6% d/d to its nine-month high of 7.3242. JPY was largely unchanged at 145.57, while MYR and SGD closed 0.4% d/d and 0.2% d/d weaker at 4.6360 and 1.3583 respectively.
- Oil prices plunged to their lowest in almost 2 weeks, sliding between 1.5%-1.8% d/d as growing China worries offset tighter inventories and high demand from Asian refineries.

China unexpectedly cut its 1Y MLF rate by 15bps to 2.50% amidst disappointing economic data

- Against expectations, the People's Bank of China (PBoC) unexpectedly slash its 1Y medium-term lending facility rate (MLF) by 15bps to 2.50%. At the same time, the 7-day reverse repo rate was cut by 10bps. The surprise move came amidst a slew of disappointing data for the month of July. IPI slowed more than forecast to +3.7% y/y (June: +4.4% y/y), while retail sales unexpectedly decelerated to +2.5% y/y (June: +3.1% y/y). Jobless rate also unexpectedly

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	34,946.39	-1.02
S&P 500	4,437.86	-1.16
NASDAQ	13,631.05	-1.14
Stoxx Eur 600	455.57	-0.93
FTSE 100	7,389.64	-1.57
Nikkei 225	32,238.89	0.56
Hang Seng	18,581.11	-1.03
Straits Times	3,232.74	-0.46
KLCI 30	1,460.28	0.23
FX		
Dollar Index	103.21	0.02
EUR/USD	1.0905	-0.01
GBP/USD	1.2705	0.17
USD/JPY	145.57	0.01
AUD/USD	0.6455	-0.49
USD/CNH	7.3242	0.62
USD/MYR	4.6360	0.44
USD/SGD	1.3583	0.19
Commodities		
WTI (\$/bbl)	80.99	-1.84
Brent (\$/bbl)	84.89	-1.53
Gold (\$/oz)	1,902.50	-0.42
Copper (\$\$/MT)	8,199.50	-1.11
Aluminum(\$/MT)	2,142.50	-0.16
CPO (RM/tonne)	3,702.50	-0.80

Source: Bloomberg, HLBB Global Markets Research

* Dated as of 14 Aug for CPO

inched up to 5.3% (June: 5.2%), while fixed asset investments moderated more than expected to 3.4% YTD (June YTD: 3.8%).

- The National Bureau of Statistics added that domestic demand remains “insufficient” and that the economy’s recovery foundation still needs to be strengthened. As such, officials will “step up macroeconomic policy adjustment and focus on expanding domestic demand, lifting confidence and preventing risks.”

Mixed bag of economic data from the US: Retail sales beat expectations, Builder confidence retreated

- Consumer spending held up in July, as retail sales accelerated more-than-expected by +0.7% m/m (June: +0.3% m/m). Excluding autos, sales also rose a robust 1.0% m/m (June: +0.2% m/m), led by a 1.9% m/m jump in spending at online retailers, while sporting goods as well as food service and drinking places also increased 1.5% m/m and 1.4% m/m respectively. Despite this upbeat number, we remain cautious with the overall headline data given that sales were partially boosted by the back-to-school spending as well as Amazon Prime Day online sales while purchases for larger and interest-sensitive items like car, furniture and electronics fell during the month.
- Import prices rose 0.4% m/m in July (June: -0.1% m/m), only the second monthly gain in 2023 driven by higher fuel prices, while export prices also increased 0.7% m/m (June: -0.7% m/m). This is the largest m/m gain since June 2022 driven by higher prices for both agricultural and non-agricultural exports.
- After rising steadily for seven consecutive months, the NAHB Housing Market Index, a measure of builder confidence unexpectedly retreated to 50 in August (July: 56) as rising mortgage rates, high construction costs, a lack of buildable lots and ongoing shortages of distribution transformers put a chill on builder sentiment.
- The Empire Manufacturing Index plunged more than expected to -19.0 in August (July: +1.1), led by significantly lower new orders and shipments sub-indices. Nonetheless, firms grew more optimistic about the six-month outlook.

Eurozone’s ZEW Survey Expectations improved but still negative

- ZEW Survey Expectations improved to -5.5 in August (July: -12.2). Although still negative, financial market experts anticipate a slight uptick in the economic situation by year-end, driven by expectations that there will be no further interest rate hikes in the Eurozone and US, as well as improved economic outlook for the latter.

UK wage growth accelerated; Unemployment rate rose to 4.2%

- UK’s wage growth accelerated to its fastest pace on record, with weekly earnings ex-bonus jumping more than expected to +7.8% y/y for the three months ended June (May: +7.5% y/y). This is the highest since the records began in 2021, adding concerns that a still tight labour market could keep inflationary pressures elevated. On a positive note however, there are emerging signs that this tightness has started to ease, with the unemployment rate inching up to 4.2% (May: 4.0%) and employment, the number of people in work, falling by 66k during the quarter, the biggest decline since August.

Australia’s wage growth contained below 4%

- Key highlights from the minutes to the latest Reserve Bank of Australia’s monetary policy meeting include: 1) The central bank sees a “credible path” that inflation will return to its target level of 2-3% at the current level and that

consumption has already slowed significantly. Coupled with early signs that the labour market might be at a turning point, these explain the central bank's decision to maintain the cash rate unchanged at 4.10%. 3) The central bank left the door ajar for further hikes, saying that further tightening of monetary policy might be required to ensure that inflation returns to target in a reasonable timeframe.

- The Wage Price Index unexpectedly slowed to 3.6% y/y in 2Q (1Q: +3.7% y/y) and on a q/q basis, remained stable at +0.8% q/q. Given that the pay gains were largely contained within RBA's guidance of 4% and few jobs reported wage increases during the quarter, this suggests a possibility of extended rate pause going forward.

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
16-Aug	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%
	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%
17-Aug	US FOMC Meeting Minutes	
	JN Exports YoY (Jul)	1.50%
	JN Imports YoY (Jul)	-12.90%
	JN Core Machine Orders MoM (Jun)	-7.60%
	SI Electronic Exports YoY (Jul)	-15.90%
	SI Non-oil Domestic Exports YoY (Jul)	-15.50%
	AU Employment Change (Jul)	32.6k
	AU Unemployment Rate (Jul)	3.50%
	HK Unemployment Rate SA (Jul)	2.90%
	EC Trade Balance NSA (Jun)	-0.3b
	US Initial Jobless Claims	248k
	US Philadelphia Fed Business Outlook (Aug)	-13.5
	US Leading Index (Jul)	-0.70%

Source: Bloomberg

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