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Global Markets Research

Daily Market Highlights

16 Oct: Higher growth, smaller fiscal deficit for Malaysia

MOF: GDP growth of 4%-5%; inflation of 2.1%-3.6%; fiscal deficit of 4.3% for 2024

Risk off sentiment sent US equities down, Treasuries, DXY higher

China's mixed economic data suggests stabilising, uneven economy

- Threats of a broader conflict in the Middle East sent investors flocking to safe haven't assets like US Treasuries and gold. US equity indices mostly fell, led by technology stocks and companies that depended on discretionary spending. A slew of strong earnings from JPMorgan, Wells Fargo and Citigroup failed to lift sentiment. Nasdaq plunged 1.2% d/d, while S&P 500 fell 0.5% d/d, Dow Jones managed to eke out a meagre gain of +0.1% d/d.
- In Europe, Stoxx Eur 600 and FTSE100 slid 1.0% d/d and 0.6% d/d respectively. In Asia, Hang Seng led losses at -2.3% d/d on a still sluggish China inflation and trade data. CSI 300 also fell 1.1% d/d, while Nikkei 225 slipped 0.6% d/d.
- Risk off sentiment sent the 2Y UST yield down 2bps to 5.05%, while the 10Y also dropped 9bps to 4.61%. Weighing on the yields were also remarks from Philadelphia Fed President Patrick Harker who said that the central bank can hold rates where they are. 10 European bond yields fell between 1-5 bps with the exception of the Swedish and Italian sovereign bonds.
- DXY closed slightly higher by 0.1% d/d at 106.65. European currencies depreciated between 0.2%-0.3% d/d. Regional currencies closed mixed, with JPY and SGD stronger in tune to 0.1%-0.2% d/d. CNH depreciated by 0.1% d/d, while MYR closed 0.4% d/d weaker at 4.7283 post Budget 2024 announcement.
- Prices of gold spiralled up 3.1% d/d, while oil jumped between 5.7%-5.8% amid the geopolitical tensions. Nonetheless, the International Energy Agency has said that risks of disruption to oil supply are limited.

Malaysia: Expect slightly higher growth in 2024 and smaller fiscal deficit

- In Budget 2024, the Ministry of Finance expects the Malaysian economy to expand between 4%-5.0% in 2024 (2023e: approximately 4.0% y/y), a shade lower than our forecast of +5.1% y/y. Inflation is expected to remain manageable between 2.1%-3.6% in 2024. This is a wider range than 2023's forecast of 2.5%-3.0%, partly attributable to a gradual shift towards targeted subsidy mechanism.
- Fiscal deficit is expected to narrow to RM85.4bn or 4.3% of GDP in 2024 (2023e: -\$93.2bn or -5.0% of GDP) amidst higher revenue collection due to improving economic activities and lower government expenditure, particularly due to lower financial commitment with the absence of 1MDB bond redemption. Over a longer period, the government remains committed to rein in its fiscal shortfall, with the budget shortfall expected to narrow

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	33,670.29	0.12
S&P 500	4,327.78	-0.50
NASDAQ	13,407.23	-1.23
Stoxx Eur 600	449.18	-0.98
FTSE 100	7,599.60	-0.59
Nikkei 225	32,315.99	-0.55
CSI 300	3,663.41	-1.05
Hang Seng	17,813.45	-2.33
Straits Times	3,185.79	-1.02
KLCI 30	1,444.14	0.02
FX		
Dollar Index	106.65	0.05
EUR/USD	1.0510	-0.17
GBP/USD	1.2143	-0.26
USD/JPY	149.57	-0.16
AUD/USD	0.6296	-0.29
USD/CNH	7.3133	0.05
USD/MYR	4.7283	0.35
USD/SGD	1.3694	-0.05
Commodities		
WTI (\$/bbl)	87.69	5.77
Brent (\$/bbl)	90.89	5.69
Gold (\$/oz)	1,927.40	3.11
Copper (\$\$/MT)	7,949.00	-0.53
Aluminum(\$/MT)	2,199.50	-0.02
CPO (RM/tonne)	3,569.50	0.21

Source: Bloomberg, HLBB Global Markets Research

* Dated as of 12 Oct for CPO

further to 3.5% of GDP under the Medium-Term Fiscal Framework (MTFF) 2024-2026, based on an average GDP growth of 4.8% and oil price assumption of \$80/ barrel.

US consumer sentiment dipped following two consecutive months of very little change

- University of Michigan consumer sentiment retreated more than expected to 63.0 in October (Sep: 68.1) as assessments of personal finances and one-year expected business conditions fell. However, long-run expected business conditions were little changed, suggesting that consumers believe the current worsening in economic conditions will not persist. Year-ahead inflation expectations rose to its highest since May at +3.8% (Sep: 3.2%) while long-run inflation expectations edged up to 3.0% (Sep: 2.8%).
- Both the import prices and exports prices eased to +0.1% m/m and +0.7% m/m respectively in September (Aug: +0.6% m/m and +1.1% m/m). The latter was due to lower agricultural prices while the former due to food, feeds and beverages, nonfuel industrial supplies and materials, capital goods and cars.

Eurozone's IPI rebounded on consumer goods

- Industrial production (IPI) jumped more than expected by 0.6% m/m in August (Jul: -1.3% m/m) although overall output was down 5.1% y/y (Jul: -2.2% y/y). The stronger than expected m/m number was driven by a rebound in capital and durable consumer goods. The latter marks the first expansion in 5 months.

China's exports, financing data above expectations; consumer prices were flat

- Data from China was mixed, pointing to a stabilising but still uneven economy. Aggregate financing accelerated more than expected to 4.1 trillion yuan in September (Aug: 3.1 trillion yuan), on the back of rapid issuance of government bonds to fund infrastructure projects and stronger mortgage lending. The contraction in exports also narrowed more than expected to -6.2% y/y in September (Aug: -8.8% y/y), but sinking imports (-6.2% y/y vs Aug: -7.3% y/y) suggests that domestic demand remains weak.
- This trend is reaffirmed by the flat inflation numbers (CPI) numbers for the month (Aug: +0.1 m/m). Lower food prices were a big drag on prices, followed by household goods and tourism-related prices. The contraction in producer prices (PPI), meanwhile, narrowed less than expected to -2.5% y/y (Aug: -3.0% y/y). This is the lowest since March.

House View and Forecasts

FX	This Week	4Q-23	1Q-24	2Q-24	3Q-24
DXY	104-108	107	107	106	105
EUR/USD	1.03-1.07	1.04	1.04	1.04	1.05
GBP/USD	1.20-1.24	1.20	1.20	1.20	1.21
USD/JPY	147-151	150	147	144	141
AUD/USD	0.62-0.65	0.64	0.65	0.66	0.67
USD/MYR	4.67-4.73	4.74	4.69	4.65	4.60
USD/SGD	1.35-1.38	1.38	1.37	1.35	1.34

Rates, %	Current	4Q-23	1Q-24	2Q-24	3Q-24
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	4.10	4.10	4.10	4.10	3.83
BNM	3.00	3.00	3.00	3.00	3.00

Source: HLBB Global Markets Research

Up Next

Date	Events	Prior
16-Oct	CH 1-Yr Medium-Term Lending Facility Rate	2.50%
	JN Industrial Production MoM (Aug F)	0.00%
	EC Trade Balance SA (Aug)	2.9b
	US Empire Manufacturing (Oct)	1.9
17-Oct	AU RBA Minutes of Oct. Policy Meeting	
	SI Non-oil Domestic Exports YoY (Sep)	-20.10%
	UK ILO Unemployment Rate 3Mths (Aug)	4.30%
	EC ZEW Survey Expectations (Oct)	-8.9
	US Retail Sales Advance MoM (Sep)	0.60%
	US New York Fed Services Business Activity (Oct)	-3
	US Industrial Production MoM (Sep)	0.40%
	US NAHB Housing Market Index (Oct)	45

Source: Bloomberg

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

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