

17 July 2023

## Global Markets Research

### Daily Market Highlights

# 17 July: US consumer sentiment highest since 2021

**UST yields jumped, DXY gained on upside surprises in inflation expectations**

**Wall Street closed mixed; Dow advanced on robust bank earnings**

**China home prices fell for the first time in 2023; all eyes on 2Q GDP and PBoC**

- Dow Jones Industrial Average was the outlier in Wall Street as robust earnings results from some of the biggest banks supported the index. Dow added 0.3% d/d, but S&P 500 and Nasdaq dropped 0.1% and 0.2% d/d respectively. UnitedHealth shares lifted the blue-chip index after the insurance giant jumped more than 7.0% after lifting its earnings guidance. Earnings from JP Morgan Chase, Wells Fargo and Citigroup also beat consensus forecasts.
- European stock markets closed lower, with the Stoxx 600 and FTSE 100 sliding 0.1% d/d each. The former was dragged by telecom stocks after Nokia's and Ericsson's warnings on weak demand. Asian markets closed mostly higher, with Hang Seng gaining 0.3% d/d but Nikkei 225 inched down by 0.1% d/d.
- Stronger than expected US consumer sentiment data specifically the gauge on inflation expectations, sent UST yields jumping sharply higher as markets priced in expectations for a second hike after the July FOMC meeting. The 2Y rose 14bps to 4.77%, while the 10Y increased 7bps to 3.83%. 10Y European bond yields generally saw a more modest 1-6bps increase.
- DXY regained some grounds on more hawkish Fed views, rising to 99.91 or up 0.1% d/d after hitting a low of 99.58 earlier, still below the 100 handle nonetheless, potentially setting a new stage for the DXY from here. G10 currencies closed mixed against USD, with EUR closing just above the flatline but GBP and JPY depreciated between 0.3-0.5% d/d. In Asia, CNH weakened 0.1% d/d, but SGD strengthened by 0.1% d/d. MYR led gains in the region, appreciating 1.2% d/d to 4.5267.
- Oil prices fell on profit-taking, with the Brent and West Texas Intermediate slipping between 1.8%-1.9% d/d.

### US consumer sentiment jumped to the highest since 2021; import prices weaker than expected

- Consumer sentiment improved for the second straight month, rising more than expected to 72.6 in June (May: 64.4). This is the highest since September 2021 and is now approximately halfway between the all-time historic low of 50 in June 2022 and the February 2020's pre-pandemic reading of 101. All components improved considerably, supported by continued softening in inflation rates as well as a stable labor market. Year-

#### Key Market Metrics

	Level	d/d (%)
<b>Equities</b>		
Dow Jones	34,509.03	0.33
S&P 500	4,505.42	-0.10
NASDAQ	14,113.70	-0.18
Stoxx Eur 600	460.83	-0.11
FTSE 100	7,434.57	-0.08
Nikkei 225	32,391.26	-0.09
Hang Seng	19,413.78	0.33
Straits Times	3,248.63	0.31
KLCI 30	1,412.09	1.14
<b>FX</b>		
Dollar Index	99.91	0.14
EUR/USD	1.1228	0.02
GBP/USD	1.3093	-0.33
USD/JPY	138.80	0.54
AUD/USD	0.6838	-0.74
USD/CNH	7.1584	0.11
USD/MYR	4.5267	-1.21
USD/SGD	1.3215	-0.05
<b>Commodities</b>		
WTI (\$/bbl)	75.42	-1.91
Brent (\$/bbl)	79.87	-1.83
Gold (\$/oz)	1,964.40	0.03
Copper (\$\$/MT)	8,673.50	-0.24
Aluminum(\$/MT)	2,276.50	-0.07
CPO (RM/tonne)	3,800.00	-1.43

Source: Bloomberg, HLBB Global Markets Research  
\* Dated as of 13<sup>th</sup> July for CPO

ahead and long-run inflation expectations however surprised on the upside at 3.4% (June: 3.3%) and 3.1% respectively (May: +3.0%), spurring expectations the Fed may still push ahead with more rate hikes post-July.

- The weaker than expected import prices in June (-0.2% m/m vs. May: -0.4% m/m) added to more evidence of softer price pressures going forward and strengthened the case for a pause in policy tightening post-July FOMC meeting. The decline during the month was underpinned by a 0.4% m/m drop in non-fuel prices which more than offset the 0.8% m/m increase in fuel. Export prices, meanwhile, fell 0.9% m/m (May: -1.9% m/m) led by lower prices for both agriculture and non-agricultural exports.

#### **Eurozone trade deficit narrowed to €0.3bn**

- Trade deficit narrowed significantly to €0.3bn in May (Apr: €11.7bn vs May 2022: €30.3bn) as the contraction in imports outpaced exports at -12.8% y/y and -2.3% y/y respectively. The former largely reflects lower energy imports, notably from Russia.

#### **Rightmove UK house prices fell 0.2% m/m**

- According to Rightmove, UK house prices fell 0.2% m/m but gained 0.5% y/y in July, worsening from zero growth and +1.1% y/y the prior month. July marked the first month where prices have contracted on a m/m basis in 2023.

#### **Japan's final IPI was revised down to -2.2% m/m**

- The final IPI was revised downwards by 0.6ppts to -2.2% m/m for the month in May (Apr: +0.7% m/m) and in tandem with this, the y/y growth was shaved by 0.5ppts to +4.2% (Apr: -0.7% y/y).

#### **China home prices fell for the first time in 2023**

- China home prices fell 0.1% m/m in June (May: +0.1% m/m), the first m/m contraction since December 2022. In tandem with this, the number of cities registering price increases also fell to 31 from 46 previously. Zou Lan, a senior official at the People's Bank of China (PBOC) said on Friday that there is room for "marginal optimisation" of property policies, suggesting more further property easing measures going forward, be it in terms of reserve requirement ratio (RRR) or medium-term lending facility.

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

<b>FX</b>	<b>This Week</b>	<b>3Q-23</b>	<b>4Q-23</b>	<b>1Q-24</b>	<b>2Q-24</b>
DX	98-103	102	101	100	99
EUR/USD	1.10-1.14	1.11	1.12	1.14	1.12
GBP/USD	1.29-1.33	1.29	1.31	1.33	1.30
USD/JPY	134-142	141	139	136	133
AUD/USD	0.67-0.70	0.67	0.68	0.68	0.69
USD/MYR	4.52-4.62	4.69	4.64	4.60	4.55
USD/SGD	1.31-1.35	1.35	1.34	1.33	1.33

  

<b>Rates, %</b>	<b>Current</b>	<b>3Q-23</b>	<b>4Q-23</b>	<b>1Q-24</b>	<b>2Q-24</b>
Fed	5.00-5.25	5.25-5.50	5.25-5.50	5.00-5.25	4.50-4.75
ECB	4.00	4.25	4.25	4.25	4.00
BOE	5.00	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
17-Jul	SI Non-oil Domestic Exports YoY (Jun)	-14.70%
	CH 1-Yr Medium-Term Lending Facility Rate	2.65%
	CH GDP YoY (2Q)	4.50%
	CH Industrial Production YoY (Jun)	3.50%
	CH Retail Sales YoY (Jun)	12.70%
	CH Fixed Assets Ex Rural YTD YoY (Jun)	4.00%
	CH Surveyed Jobless Rate (Jun)	5.20%
18-Jul	US Empire Manufacturing (Jul)	6.6
	AU RBA Minutes of July Policy Meeting	
	HK Unemployment Rate SA (Jun)	3.00%
	US Retail Sales Advance MoM (Jun)	0.30%
	US New York Fed Services Business Activity (Jul)	-5.2
	US Industrial Production MoM (Jun)	-0.20%
	US Business Inventories (May)	0.20%
	US NAHB Housing Market Index (Jul)	55

Source: Bloomberg

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