

17 October 2023

## Global Markets Research

### Daily Market Highlights

## 17 Oct: PBoC maintained 1Y MLF rate at 2.50%

**US equity markets rose on hopes that the Middle East conflict will not escalate**

**Treasuries, DXY fell at the start of the week; Oil prices fell on hopes of a Venezuela deal**

**Empire State Manufacturing Index slipped into negative; All eyes on RBA minutes today**

- US stocks closed higher on Monday as the focus was largely on the Israel-Hamas war. Hopes that the conflict will not escalate into a geopolitical crisis lent some support for risk appetite, sending the Dow Jones Industrial Average 0.9% d/d higher, the S&P 500 climbing 1.1% d/d and Nasdaq adding 1.2% d/d. Notable gainers were Pfizer after the pharma giant announced cost cutting measures, Lululemon Athletica which surged 10.3% d/d 2 days before it joins S&P 500, and Charles Schwab after the brokerage said that its bank-deposit outflows were slowing. Some corporate results on deck this week include Johnson & Johnson, Bank of America, Netflix and Tesla.
- European stocks closed cautiously higher, with Stoxx Eur 600 up 0.2% d/d and FTSE 100 climbing 0.4% d/d. In contrast, Asian markets started the week on a soft footing as investors look ahead to key economic data from China and Japan this week. This will include China's 3Q GDP as well as Japan's CPI. Nikkei 225 fell 2.0% d/d, while Hang Seng and CSI 300 closed 1.0% d/d lower.
- In the Treasuries market, yield to the 10Y rose 9bps to 4.71%, while the 2Y gained 5bps to 5.10%. 10Y European bond yields closed up between 3-12 bps with the exception of the Italian sovereign bonds (-1bps).
- DXY closed 0.4% d/d lower at 106.24. European currencies appreciated in tune to 0.5-0.6% d/d, while JPY, CNH and SGD strengthened in tune to 0.1% d/d. Japan's chief currency official Masato Kanda has recently said that authorities will take appropriate action against excessive moves in JPY when needed, adding that interest rates are merely one factor in determining exchange rates. MYR, meanwhile, was the outlier, weakening 0.2% d/d to 4.7380.
- Prices of oil fell between 1.2%-1.4% d/d on expectations that US and Venezuela could soon reach a deal to ease sanctions on Venezuelan crude exports. Risk-on mood, meanwhile, dragged on safe assets like gold, which dipped 0.3% d/d.

### China maintained 1Y MLF rate at 2.50%

- As widely expected, the People's Bank of China (PBoC) left the 1Y medium term lending facility (MLF) rate unchanged at 2.50%. At the same time, PBoC ramped up liquidity support, pumping 289bn yuan of fresh liquidity into the banking system, the most since December 2020. The move comes amidst news that Beijing is considering a new round of stimulus to help the economy achieve its 5% target this year.

### Key Market Metrics

	Level	d/d (%)
<b>Equities</b>		
Dow Jones	33,984.54	0.93
S&P 500	4,373.63	1.06
NASDAQ	13,567.98	1.20
Stoxx Eur 600	450.20	0.23
FTSE 100	7,630.63	0.41
Nikkei 225	31,659.03	-2.03
CSI 300	3,626.60	-1.00
Hang Seng	17,640.36	-0.97
Straits Times	3,163.89	-0.69
KLCI 30	1,438.96	-0.36
<b>FX</b>		
Dollar Index	106.24	-0.38
EUR/USD	1.0560	0.48
GBP/USD	1.2217	0.61
USD/JPY	149.51	-0.04
AUD/USD	0.6342	0.73
USD/CNH	7.3085	-0.07
USD/MYR	4.7380	0.21
USD/SGD	1.3676	-0.13
<b>Commodities</b>		
WTI (\$/bbl)	86.66	-1.17
Brent (\$/bbl)	89.65	-1.36
Gold (\$/oz)	1,921.10	-0.33
Copper (\$\$/MT)	7,976.50	0.35
Aluminum(\$/MT)	2,180.50	-0.86
CPO (RM/tonne)	3,640.50	1.99

Source: Bloomberg, HLBB Global Markets Research  
\* Dated as of 13 Oct for CPO

### Empire State Manufacturing Index in the US slipped into negative territory

- Albeit less than expected, the Empire State Manufacturing Index fell to -4.6 in October (Sep: +1.9) as new orders fell slightly. Labor market indicators improved slightly, while selling price increases moderated. Despite the contraction in the headline, firms remained relatively optimistic about the six-month outlook.

### Eurozone's trade surplus widened after imports from Russia tumbled

- The trade surplus in the euro area widened to €6.7bn in August (Jul: +€6.5bn) as the contraction in imports outpaced exports at -24.6% y/y and -3.9% y/y respectively. As it is, the trade balance in the eurozone has largely turned positive after a hefty deficit last year after the en bloc pivoted away from Russian energy imports.

### House View and Forecasts

FX	This Week	4Q-23	1Q-24	2Q-24	3Q-24
DX	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
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
18-Oct	AU Westpac Leading Index MoM (Sep)	-0.04%
	CH GDP YoY (3Q)	6.30%
	CH Industrial Production YoY (Sep)	4.50%
	CH Retail Sales YoY (Sep)	4.60%
	CH Fixed Assets Ex Rural YTD YoY (Sep)	3.20%
	CH Surveyed Jobless Rate (Sep)	5.20%
	UK CPI YoY (Sep)	6.70%
	UK PPI Output NSA YoY (Sep)	-0.40%
	UK PPI Input NSA YoY (Sep)	-2.30%
	UK House Price Index YoY (Aug)	0.60%
	EC CPI YoY (Sep F)	4.30%
	US MBA Mortgage Applications	0.60%
	US Building Permits MoM (Sep)	6.90%
	US Housing Starts MoM (Sep)	-11.30%

Source: Bloomberg

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