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Global Markets Research

Daily Market Highlights

18 July: China's 2Q GDP disappointed

China maintained 1Y MLF rate at 2.65%; 2Q GDP disappointed with a 6.3% y/y growth

Wall Street rallied ahead of a busy week of earnings; DXY and UST yields mildly lower

Singapore's NODX recorded double digit y/y contraction, but rose m/m

- The US equities market closed higher as Wall Street braced for quarterly reports from some of the biggest companies and as the Federal Reserve entered the "blackout period" ahead of its July FOMC meeting. Initially weighed down by a weaker-than-expected 2Q China's GDP, the Dow Jones Industrial Average gathered steam and closed the day 0.2% d/d higher, its highest closing level in 2023. The S&P 500 and Nasdaq also climbed 0.4% and 0.9% d/d respectively led by the technology and banking shares. Bank of America and Morgan Stanley are scheduled to report later in the week.

- European stock markets, on the other hand, closed lower with the Stoxx Eur 600 index slipped 0.6% d/d while FTSE100 dipped 0.4% d/d. In Asia, both the Hang Seng and Nikkei 225 were closed due to Typhoon Talim and Marine Day respectively. China's CSI 300 fell 0.8%, leading losses in the region while the Australian S&P/ASX 200 closed marginally lower by 0.1% d/d.

- US Treasuries recovered modestly, with yields across the 2Y and 10Y declining in tune of 2-3bps. The 2Y closed 3bps lower at 4.74%, while the 10Y lost 2bps at 3.81%. 10Y European bond yields also closed lower between 1-5 bps.

- DXY rallied to hit intra-day high at 100.18 but were unable to hold its gains, retreating to 99.84 at close, printing 0.1% d/d below the flatline. Vis-à-vis USD, G10 currencies closed mixed while regional currencies closed weaker during the day. EUR and JPY closed 0.1% d/d stronger each, while GBP and AUD depreciated between 0.2%-0.3% d/d each. CNH and MYR weakened between 0.2%-0.3% d/d each to 7.1784 and 4.5373 respectively while SGD closed just below the flatline at 1.3219.

- Oil prices dropped in tune of 1.7% d/d as the Sharara field resumed production after protestors shut it last week and after slower than expected growth in China's 2Q GDP raised demand concerns.

China maintained 1Y MLF rate at 2.65%; 2Q GDP disappointed with a 6.3% y/y growth

- As per expectations, the People's Bank of China kept its 1Y medium-term lending facility (MLF) rate steady at 2.65% after shaving 10bps in the month of June. The pause could be attributable to the much stronger than expected credit expansion recorded in June. There is no change in our view that the monetary policy will stay accommodative, but we believe that any cuts in 2023 will be largely capped between 20-35bps (PBoC cut rates by 20bps in 2022 and 35bps for the period 4Q19-2020).

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	34,585.35	0.22
S&P 500	4,522.79	0.39
NASDAQ	14,244.95	0.93
Stoxx Eur 600	457.92	-0.63
FTSE 100	7,406.42	-0.38
Nikkei 225	32,391.26	-0.09
Hang Seng	19,413.78	0.33
Straits Times	3,254.43	0.18
KLCI 30	1,406.10	-0.42
FX		
Dollar Index	99.84	-0.07
EUR/USD	1.1236	0.07
GBP/USD	1.3073	-0.15
USD/JPY	138.71	-0.06
AUD/USD	0.6816	-0.32
USD/CNH	7.1784	0.28
USD/MYR	4.5373	0.23
USD/SGD	1.3219	0.03
Commodities		
WTI ($/bbl)	74.15	-1.68
Brent ($/bbl)	78.50	-1.72
Gold ($/oz)	1,956.40	-0.41
Copper ($$/MT)	8,491.00	-2.10
Aluminum($/MT)	2,255.00	-0.94
CPO (RM/tonne)	3,841.50	1.09

Source: Bloomberg, HLBB Global Markets Research
** Dated as of 14th July for CPO; Nikkei and HSI*

- China's 2Q GDP growth came below expectations to expand by 6.3% y/y in 1Q (2Q: +4.5% y/y). This marks the second quarter where growth has accelerated, but this is partially skewed by the low base effect due to the COVID-19 lockdown in Shanghai during spring 2022. On a q/q basis, growth was noticeable slower, decelerating to +0.8% q/q (1Q: +2.2% q/q), while YTD growth of 5.5% for 1H suggests that the government's target of 5.0% for the whole of 2023 is within reach at this juncture.
- IPI surprised on the upside at 4.4% y/y (May: +3.5% y/y), partially supported by a positive turnaround in the mining sector, and quicker growth in manufacturing output (+4.8% vs +4.1% y/y). By industry, output was supported by crude-oil processing, coal and non-energy vehicles, which more than offset the contractions in electronics and electrical products.
- In terms of domestic demand, retail sales softened more than expected to 3.1% y/y in June (May: +12.7% y/y), largely supported by the reopening factor as reflected in double digit growth in restaurant/catering. Sales of consumer goods, on the other hand, decelerated sharply to 1.7% y/y (May: +10.5% y/y), pointing to signs of softening consumer spending. This is despite a steady jobless rate of 5.2%. Fixed asset investment, meanwhile, expanded better than forecast by 3.8% y/y YTD. Within fixed asset investment, investment into real estate fell 7.9% y/y, but was cushioned by steady increase in manufacturing investment (+6.0% y/y).

US Empire Manufacturing dipped but stayed positive

- The Empire Manufacturing index worsened less than expected and remained in positive territory of 1.1 in July (June: 6.6) as new orders inched up, shipments expanded, delivery times shortened and inventories continued to decline. Employment index edged higher while price increases continued to moderate. Planned increases in capital spending remained weak. Looking ahead, firms expect conditions to improve but optimism remains subdued.

Singapore's NODX recorded double digit y/y contraction, but rose m/m

- Singapore's non-oil domestic exports contracted a shade less-than-expected by 15.5% y/y in June (May: -14.8% y/y in May) while on a m/m basis, NODX turnaround to register a 5.4% m/m gain (May: -14.6% m/m).
- On a y/y basis, decreases were observed for both electronics and non-electronics, with the former plunging by 15.9% y/y (May: -27.2% y/y) while the latter was dragged by petrochemicals, pharmaceuticals and primary chemicals. Exports to key markets like Malaysia, Indonesia and South Korea led the contraction, although NODX to Hong Kong and China rose.

House View and Forecasts

FX	This Week	3Q-23	4Q-23	1Q-24	2Q-24
DXY	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

Rates, %	Current	3Q-23	4Q-23	1Q-24	2Q-24
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
18-Jul	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
19-Jul	AU Westpac Leading Index MoM (Jun)	-0.27%
	UK CPIH YoY (Jun)	7.90%
	UK PPI Output NSA YoY (Jun)	2.90%
	UK House Price Index YoY (May)	3.50%
	EC CPI YoY (Jun F)	6.10%
	US MBA Mortgage Applications	0.90%
	US Building Permits MoM (Jun)	5.20%
	US Housing Starts MoM (Jun)	21.70%

Source: Bloomberg

Hong Leong Bank Berhad
Fixed Income & Economic Research, Global Markets
Level 8, Hong Leong Tower
6, Jalan Damanlela
Bukit Damansara
50490 Kuala Lumpur
Tel: 603-2081 1221
Fax: 603-2081 8936
HLMarkets@hlbb.hongleong.com.my

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