

18 August 2023

Global Markets Research

Daily Market Highlights

18 Aug: Long-term UST yields hit multi-year highs

10Y and 30Y UST yields jumped to its highest in 16 and 12 years as jobless claims fell
Higher yields sent the equities markets tumbling for a 3rd day; DXY closed higher
US LEI fell at a smaller pace; Philly Fed turned positive; Japan's inflation has peaked

- Wall Street extended its losing streak for the third day as rising bond yields weighed down on the equities markets, especially on large cap tech stocks. The Dow Jones Industrial Average and S&P 500 dropped 0.8% d/d each, while Nasdaq lost 1.2% d/d. Shares of Walmart, meanwhile, also tumbled 2.2% d/d despite its 2Q earnings beating estimates. The retailer lifted its outlook again, but stayed cautious on US shoppers. Overseas, markets were broadly lower. Shares of industrial and construction companies weighed on Stoxx Eur 600 (-0.9% d/d). FTSE 100 closed down 0.6% d/d. Japan's Nikkei 225 fell 0.4% d/d. Hang Seng closed flat. CSI 300, however, added 0.3% d/d.
- Long end UST yields continued to climb on Thursday after the resilient labour data renewed investor concerns of more rate hikes. The 10Y yield rose 2bps to 4.27%, its highest closing since 2007 while the 30Y hit a 12-year high of 4.39% (+4bps). The 2Y, on the other hand, closed 4bps lower at 4.93%. 10Y European bond yields, meanwhile, increased at a faster pace of 4-9bps.
- DXY rallied to as high as 103.60 before narrowing gains to close at 103.57 (+0.1% d/d). While EUR depreciated slightly by 0.1% d/d, GBP maintained its upward momentum post the CPI print, strengthening by 0.1% d/d. In Asia, investors continue to closely watch the JPY. The currency appreciated by 0.4% d/d, but remains under pressure above the 145-handle on the back of interest rate differentials between the US and Japan. CNH also strengthened 0.4% d/d, with emerging reports that officials have told state-owned banks to boost intervention and support the currency. SGD closed mildly stronger by 0.1% d/d at 1.3584, but MYR weakened 0.5% d/d to 4.6543, a day before the release of Malaysia's 2Q GDP result.
- In the commodities market, the West Texas Intermediate clawed back above \$80/barrel, gaining 1.3% d/d, while Brent rose 0.8% d/d as tight supply reclaims centre stage. As it is, indications are that there is high demand from Asian refineries while US oil inventories fell by nearly 6m barrels last week.

US leading index fell at a smaller pace; Jobless claims retreated; Philadelphia Fed turned positive

- Matching expectations, the Conference Board's Leading Economic Index (LEI) fell at a smaller pace of 0.4% in July (June: -0.7%). The LEI is now down 4.0% over the six-month period between January and July 2023, a slight deterioration from its 3.7% contraction over the previous six months (July 2022- January 2023). As it is, the 16th consecutive monthly decline, with most

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	34,474.83	-0.84
S&P 500	4,370.36	-0.77
NASDAQ	13,316.93	-1.17
Stoxx Eur 600	451.19	-0.90
FTSE 100	7,310.21	-0.63
Nikkei 225	31,626.00	-0.44
Hang Seng	18,326.63	-0.01
Straits Times	3,196.75	-0.52
KLCI 30	1,447.98	-1.06
FX		
Dollar Index	103.57	0.14
EUR/USD	1.0872	-0.06
GBP/USD	1.2747	0.12
USD/JPY	145.84	-0.35
AUD/USD	0.6404	-0.31
USD/CNH	7.3041	-0.44
USD/MYR	4.6543	0.54
USD/SGD	1.3584	-0.10
Commodities		
WTI (\$/bbl)	80.39	1.27
Brent (\$/bbl)	84.12	0.80
Gold (\$/oz)	1,884.10	-0.63
Copper (\$\$/MT)	8,235.50	0.84
Aluminum(\$/MT)	2,145.50	0.12
CPO (RM/tonne)	3,798.50	0.28

Source: Bloomberg, HLBB Global Markets Research
 * Dated as of 16 Aug for CPO

components negative or neutral, suggests that economic outlook remains bleak and highly uncertain.

- In a sign of a still resilient labour market, initial jobless claims fell more than expected and for the first time in three weeks by 11k to 239k for the week ended August 12 (Aug 5: +23k). Continuing claims, nonetheless, were higher by 32k to 1716k for the week ended August 5 (Jul 29: -8k).
- Philadelphia Fed Business Outlook's indicators for general activity, new orders, and shipments were all positive for the first time since May 2022, sending the headline index improving more than expected to expansionary territory at 12 in August (July: -13.5). However, firms reported a decline in employment and expectations for growth over the next six months were less widespread.

Eurozone's trade balance swung to a surplus

- Trade balance in the eurozone swung to a large trade surplus of €23.0bn in June (May: -€0.3bn vs June 2022: -€27.1bn) after imports from both Russia and China fell sharply. Overall exports rose 0.3% y/y during the month, while imports plunged 17.7% y/y. Available data also showed that EU trade deficit with Russia and China narrowed significantly to €8.7bn (1H 2022: -€92.1bn) and €148.7bn YTD (1H of 2022: -€189.3bn) as imports plunged 76.0% y/y and 13.0% y/y respectively from the two economies.

Australia's unemployment rate rose more than expected to 3.7% as employment contracted

- Employment unexpectedly fell by 14.6k in July (June: +31.6k) and with this, the unemployment rate inched up more than expected to 3.7% (June: 3.5%). The latest data point to softer labour demand and as such, reinforces expectations RBA is near if not at the end of its tightening cycle.

Japan's core inflation moderated to 3.1% on utilities; headline stable at 3.3%

- Consistent with the Bank of Japan's view that inflation has peaked, its headline CPI was unchanged at 3.3% y/y in July, while its core excluding fresh food decelerated to 3.1% y/y (June: +3.3% y/y). Both matched expectations with the latter primarily driven by a larger contraction in utility bills.

Hong Kong's unemployment rate unexpectedly eased to 2.8%

- Unemployment rate unexpectedly eased to 2.8% for the 3-months ended July (June: 2.9%) led by consumption- and tourism-related sectors. Notable declines were also observed for transportation, information and communications as well as real estate. With the ongoing economic recovery, the labour market is expected to improve further in the coming months.

Singapore's NODX worsened

- Singapore's non-oil domestic exports (NODX) unexpectedly worsened to 20.2% y/y in July (June: -15.6% y/y), mainly due to non-electronics exports like non-monetary gold, specialised machinery and petrochemicals. Electronics exports also fell at a faster pace of 26.1% y/y (June: -16.0% y/y) due to ICs, PCs and disk media products. By destination, NODX as a whole to the top markets declined, led by the EU, Taiwan and China, though NODX to the US rose.

House View and Forecasts

FX	This Week	3Q-23	4Q-23	1Q-24	2Q-24
DXY	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
18-Aug	MA GDP YoY (2Q)	5.60%
	MA Exports YoY (Jul)	-14.10%
	UK Retail Sales Inc Auto Fuel MoM (Jul)	0.70%
	EC CPI YoY (Jul F)	5.50%
21-Aug	UK Rightmove House Prices MoM (Aug)	-0.20%
	CH 5-Year Loan Prime Rate	4.20%
	CH 1-Year Loan Prime Rate	3.55%
	HK CPI Composite YoY (Jul)	1.90%

Source: Bloomberg

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