

18 September 2023

## Global Markets Research

### Daily Market Highlights

# 18 Sep: US markets closed lower on mixed US data

**US consumer sentiments and inflationary expectations fell; export and import prices rallied**

**United Auto Worker strike poses upside risk to wage, downside risk to output in September**

**China maintained 1Y MLF at 2.50%; mixed economic data suggests stabilising economy**

- Slump in tech stocks weighed on Wall Street on Friday, pushing the S&P 500 lower by 1.2% d/d and NASDAQ down 1.6% d/d. The Dow Jones Industrial Average also slid 0.8% d/d. Adobe shares fell 4.2% d/d on tepid sales outlook, while Arm Holdings lost 4.5% d/d after its successful public debut. Auto stock General Motors rose, but Ford inched lower as the United Auto Workers (UAW) went on strike and also raised concerns over potential wage pressures.
- European and Asian stocks closed mostly in the green, in tune of 0.2%-0.5% d/d for the former and 0.7%-1.1% d/d for the latter, with sentiment bolstered by better than China's retail sales and IPI numbers as well as on prospects that global central banks are nearing their end of the tightening cycles. The exception was CSI 300 which fell 0.7% d/d on continuous foreign selling.
- In the Treasuries market, the 2Y yield climbed 2bps to 5.03%, while the 10Y yield rose 5bps to 4.33%. 10Y European bond yields increased between 4-12bps.
- DXY ended lower by 0.1% d/d at 105.32 after a dip in consumer sentiment and inflationary expectations, with European and regional currencies closing mixed against USD. EUR recovered from its 6-month low and appreciated by 0.1% d/d, but GBP depreciated by 0.2% d/d ahead of the BOE announcement this week. In Asia, JPY and SGD weakened, but CNH strengthened 0.1% d/d. MYR closed unchanged at 4.6833.
- Prices of crude oil continued with its upward momentum, gaining between 0.3%-0.7% d/d with tighter markets on China optimism.

#### China maintained 1Y MLF at 2.50% as mixed economic data suggests stabilising economy

- The People's Bank of China (PBoC) maintained the 1Y medium-term lending facility (MLF) rates unchanged at 2.50%. Given this, we also expect PBoC to follow suit and maintain the 1Y and 5Y loan prime rates unchanged at 3.45% and 4.20% when officials meet later in the week.
- Data released was mixed but showed signs of stabilising. Of note, both the IPI and retail sales data accelerated more than expected to 4.5% y/y and 4.6% y/y in August (July: +3.7% y/y and +2.5% y/y). Jobless rate also unexpectedly eased to 5.2% (July: 5.3%). On the flip side, new home sales contracted at a larger pace of 0.29% m/m (July: -0.23% m/m) and fixed asset investment slowed more than expected to +3.2% y/y (July: +3.4% y/y).

#### Key Market Metrics

	Level	d/d (%)
<b>Equities</b>		
Dow Jones	34,618.24	-0.83
S&P 500	4,450.32	-1.22
NASDAQ	13,708.33	-1.56
Stoxx Eur 600	461.93	0.23
FTSE 100	7,711.38	0.50
Nikkei 225	33,533.09	1.10
CSI 300	3,708.78	-0.66
Hang Seng	18,182.89	0.75
Straits Times	3,280.69	0.96
KLCI 30	1,459.03	0.65
<b>FX</b>		
Dollar Index	105.32	-0.08
EUR/USD	1.0657	0.13
GBP/USD	1.2383	-0.21
USD/JPY	147.85	0.26
AUD/USD	0.6432	-0.12
USD/CNH	7.2807	-0.13
USD/MYR	4.6833	0.00
USD/SGD	1.3636	0.01
<b>Commodities</b>		
WTI (\$/bbl)	90.77	0.68
Brent (\$/bbl)	93.93	0.25
Gold (\$/oz)	1,927.90	0.71
Copper (\$\$/MT)	8,405.50	-0.14
Aluminum(\$/MT)	2,190.00	-1.55
CPO (RM/tonne)	3,700.50	1.55

Source: Bloomberg, HLBB Global Markets Research

\* Dated as of 14th Sept for CPO

#### Mixed bag of price and manufacturing data for the US

- IPI slowed less than forecast to +0.4% m/m in Aug (Jul: +0.7% m/m), while capacity utilization rose to 79.7% (Jul: 79.5%). Manufacturing output, specifically, slowed to +0.1% m/m (Jul: +0.4% m/m) largely held back by a 5% drop in the output of motor vehicles and parts. Excluding automobiles, factory output rose 0.6%. The targeted strikes by the UAW starting Sep 15 will pose headwinds to output this month.
- The Empire Manufacturing Survey improved more than expected to +1.9 in Sep (Aug: -19.0). largely driven by new orders and shipments. Selling price increases also picked up and firms continued to grow more optimistic about the six-month outlook.
- A mixed bag of inflation data. Both the import and export prices unexpectedly accelerated to +0.5% m/m and +1.3% m/m in Aug (Jul: +0.1% m/m and +0.5% m/m), with the former driven by higher fuel prices. In contrast, the University of Michigan's 1 and 5-year inflation expectations unexpectedly eased to +3.1% and +2.7% in Sep (Aug: +3.5% and +3.0%). The 1Y reading is the lowest since March 2021. Headline sentiment, meanwhile, fell more than expected to 67.7 (Jul: 69.5). This is 35% above the all-time historic low reached in June of 2022 but remains shy of the historical average reading of 86.

#### Eurozone's labour cost moderated

- Labour cost moderated for the second quarter to +4.5% y/y in 2Q (1Q: +5.2% y/y), with the highest wage growth seen in mining and quarrying, while the lowest observed for professional, scientific & technical as well as real estate activities. Separately, the Euro area recorded a trade surplus of €6.5bn in July (July 2022: -€36.3bn) as exports fell 2.7% y/y and imports plunged 18.2% y/y. As it is, imports have largely fallen over the past few months due to lower energy imports especially from Russia, while exports have largely held up due to manufactured goods.

#### UK's inflation expectations picked up

- The BoE/Ipsos Inflation next 12 months picked up slightly to 3.6% in Aug (Jul: +3.5%) after moderating for the past 3 months, while Rightmove House prices registered its first m/m growth at +0.4% m/m in Sep (Aug: -1.9% m/m). On a y/y basis however, prices remained contractionary at -0.4% (Aug: -0.1%).

#### House View and Forecasts

FX	This Week	3Q-23	4Q-23	1Q-24	2Q-24
DXY	103-107	102	101	100	99
EUR/USD	1.05-1.08	1.11	1.12	1.14	1.12
GBP/USD	1.22-1.27	1.29	1.31	1.33	1.30
USD/JPY	144-149	141	139	136	133
AUD/USD	0.63-0.66	0.67	0.68	0.68	0.69
USD/MYR	4.62-4.72	4.69	4.64	4.60	4.55
USD/SGD	1.34-1.38	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	4.50	4.50	4.50	4.50	4.50
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	4.10	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-Sep	SI Non-oil Domestic Exports YoY (Aug)	-20.20%
	US New York Fed Services Business Activity (Sep)	0.6
	US NAHB Housing Market Index (Sep)	50
19-Sep	AU RBA Minutes of Sept. Policy Meeting	
	MA Exports YoY (Aug)	-13.10%
	HK Unemployment Rate SA (Aug)	2.80%
	EC CPI Core YoY (Aug F)	5.30%
	US Housing Starts MoM (Aug)	3.90%
	US Building Permits MoM (Aug)	0.10%

Source: Bloomberg

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