

18 October 2023

Global Markets Research

Daily Market Highlights

18 Oct: 2Y UST yields rose to its highest since 2006

UST yields popped after hot retail sales data; S&P 500 wavered, closed below the flatline

Slower wage growth in the UK leaves room for BOE to extend pause

RBA: Low tolerance for a slower return of inflation to target

- US stocks wavered between gains and losses before closing little change on Tuesday after UST yields hit fresh highs after the hot retail sales data. The Dow Jones Industrial Average closed just above the flatline, the S&P 500 below the flatline while Nasdaq slipped 0.3% d/d. In earnings updates, Goldman Sachs and Bank of America beat estimates while Johnson and Johnson raised its full year forecasts. Chipmakers came under pressure after the US Department of Commerce said that it would tighten restrictions on sales of advanced artificial intelligence chips to China.
- European stock markets closed mixed, with Stoxx Eur 600 losing 0.1% d/d while FTSE 100 index gained 0.6% d/d. Asian markets closed mostly in green, with Nikkei 225, Hang Seng and CSI 300 up 1.2% d/d, Hang Seng rising 0.8% d/d and CSI 300 gaining 0.4% d/d.
- UST yields hit fresh highs after another batch of economic data fuelled concerns that interest rates could remain higher than longer. The 2Y rose 11 bps to 5.21%, a high not seen since 2006, while the 10Y jumped 13bps to 4.83%. 10Y European sovereign bond yields rose between 3-13bps.
- In the forex market, DXY closed just above the flatline at 106.25. EUR strengthened 0.2% d/d against USD, but GBP depreciated 0.3% d/d after growth in British workers' pay slowed from a previous record high. In Asia, JPY, CNH and SGD weakened by less than 0.2% d/d each, but MYR closed just above the flatline at 4.7360.
- In the crude oil market, Brent rose 1.5% d/d but the West Texas Intermediate steadied at \$86.66/barrel as investors waited to see if US diplomatic efforts and a trip by President Joe Biden to Israel will prevent the conflict in the Middle East from widening.

RBA reiterated that some further tightening may be required

- Highlights from the minutes to the latest Reserve Bank of Australia's monetary policy meeting include: 1) RBA reiterated that some further tightening of policy may be required. 2) The Board has a low tolerance for a slower return of inflation to target than currently expected and members expect that rents would be an ongoing source of inflationary pressure over the year ahead. 3) Challenges in the Chinese economy could lead to slower growth in Australia if not contained. 4) On a trade-weighted basis, the AUD was only slightly lower than at the start of the year and is the relevant measure for imported inflation.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	33,997.65	0.04
S&P 500	4,373.20	-0.01
NASDAQ	13,533.75	-0.25
Stoxx Eur 600	449.76	-0.10
FTSE 100	7,675.21	0.58
Nikkei 225	32,040.29	1.20
CSI 300	3,639.40	0.35
Hang Seng	17,773.34	0.75
Straits Times	3,171.83	0.25
KLCI 30	1,444.13	0.36
FX		
Dollar Index	106.25	0.01
EUR/USD	1.0577	0.16
GBP/USD	1.2183	-0.28
USD/JPY	149.81	0.20
AUD/USD	0.6365	0.36
USD/CNH	7.3256	0.23
USD/MYR	4.7360	-0.04
USD/SGD	1.3683	0.05
Commodities		
WTI (\$/bbl)	86.66	0.00
Brent (\$/bbl)	89.90	0.28
Gold (\$/oz)	1,922.70	0.08
Copper (\$\$/MT)	7,970.50	-0.08
Aluminum(\$/MT)	2,177.00	-0.16
CPO (RM/tonne)	3,708.50	1.87

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

5) Labour market had reached a turning point as labour supply had picked up and labour demand had moderated.

- Data this morning showed that Westpac's leading index rebounded to grow by 0.07% m/m in September (Aug: -0.04% m/m). Contributing to growth are the US IPI, dwelling approvals and yield spread indices.

US retail sales, IPI topped estimates

- Retail sales beat expectations to grow by 0.7% m/m in October (Sep: Upwardly revised +0.8% m/m). Cars boosted headline at +1.0% m/m, while gas also supported sales at +0.9% m/m. Labour Day weekend deals spurred online spending at +1.1% m/m, while spending at restaurants and services, a proxy for the services sector, posted a healthy +0.9% m/m.
- Industrial production (IPI) also topped forecasts at 0.3% in September (Aug: Downwardly revised: 0%) and in tandem with this, capacity utilization edged up to 79.7% (Aug: 79.5%). Manufacturing output specifically, rebounded to +0.4% m/m (Aug: -0.1% m/m) with the index for motor vehicles and parts still charging a 0.3% m/m growth despite the ongoing strike. Elsewhere in manufacturing, gains of 1.0% m/m or more were recorded by wood products, primary metals, and plastics and rubber products. By market group, most major market groups recorded gains during the month led by consumer durables (+1.2% m/m).
- Stubbornly high mortgage rates above 7% continue to hammer building confidence, sending the NAHB Housing Market Index to its lowest since January and worse than expected at 40 in October (Sep: 44). All the three major sub-indices posted declines in October.
- The New York Fed Services Business Activity index fell to its lowest since January to -19.1 in October (Sep: -3.0). Despite the decline in activity, employment growth picked up, while wages grew at about the same pace as last month. Price increases moderated slightly. Looking ahead, firms were not optimistic that conditions would improve over the next six months.

ZEW investor confidence for Germany and the Eurozone stabilised

- Driven by anticipation of a stable short-term interest rates environment, Germany's ZEW Investor Confidence stabilised with its expectations index improving more than expected to -1.1 in October (Sep: -11.4). In contrast, the assessment of the current economic situation in Germany has barely changed. In tandem with this, the financial market experts' sentiment for the eurozone also turned positive at +2.3 (Sep: -8.9).

Slower wage growth in the UK gives room for BOE to extend pause

- PAYE payrolled employees monthly change unexpectedly worsened to -11k in August (Jul: -8k) and in tandem with this, average weekly earnings slowed to +8.1% y/y (Jul: +8.5% y/y). Slower wage growth was observed for the services, finance and manufacturing sectors and mostly reflecting a cooling labour market which will give room for the Bank of England to extend pause when they next meet in November.

Singapore's NODX fell less than expected

- The contraction in Singapore's non-oil domestic exports (NODX) narrowed more than expected to -13.2% y/y in September (Aug: -22.5% y/y) as exports of both electronics and non-electronics declined at a smaller pace of -11.6% y/y and 13.6% y/y respectively (Aug: -21.1% y/y and -22.9% y/y). NODX to the top markets as a whole fell, though exports to China, Hong Kong and the US

rose. The largest contributors to the decline in NODX were Taiwan, Indonesia and Malaysia.

House View and Forecasts

FX	This Week	4Q-23	1Q-24	2Q-24	3Q-24
DXY	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
18-Oct	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%
19-Oct	US Federal Reserve Releases Beige Book	
	JN Exports YoY (Sep)	-0.80%
	AU NAB Business Confidence (3Q)	-3
	AU Unemployment Rate (Sep)	3.70%
	AU Full Time Employment Change (Sep)	2.8k
	CH New Home Prices MoM (Sep)	-0.29%
	MA Exports YoY (Sep)	-18.60%
	HK Unemployment Rate SA (Sep)	2.80%
	US Initial Jobless Claims	209k
	US Philadelphia Fed Business Outlook (Oct)	-13.5
	US Existing Home Sales MoM (Sep)	-0.70%
	US Leading Index (Sep)	-0.40%

Source: Bloomberg

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