

19 October 2023

Global Markets Research

Daily Market Highlights

19 Oct: Safe haven bids amidst conflict in the Middle East

Wall Street hammered by fears of wider regional conflict; Brent broke above \$90/barrel

10Y UST yield topped 4.90%, the first time since 2007; DXY gained on haven bids

China's GDP grew by +4.9% y/y, 1.3% q/q in 3Q; Beijing's growth target of 5% achievable

- The explosion at a Gaza hospital and failure of diplomatic efforts to bring all sides together for negotiations escalated fears of wider regional conflict and shook the US equities markets. Adding to the selling was poor earnings and guidance from corporates as well as semiconductor stocks being hammered for the second day after the US said that it would curb chip exports to China. Nasdaq led losses at 1.6% d/d, followed by S&P 500 and Dow Jones at -1.3% d/d and -1.0% d/d respectively.
- Similarly, Stoxx Eur 600 and FTSE 100 slid in tune to 1.1% d/d. Shares of European semiconductor manufacturers were broadly lower after a disappointing earnings report from Dutch chipmaker ASML. Asian markets clawed back some lost ground after fresh data showed stronger-than-expected China 3Q GDP. Still, Hang Seng index closed the day 0.2% d/d lower while CSI 300 fell 0.8% d/d. Nikkei 225 closed near flat.
- In the Treasuries market, the benchmark 10Y yield topped 4.90% d/d for the first time since July 2007, closing the day 8bps higher at 4.92%. The 2Y was up 1bps to 5.22%. 10Y European bond yields increased between 1-15bps.
- DXY moved 0.3% d/d higher to 106.57 on haven bids, gaining against all its G10 peers save the CHF. European currencies weakened in tune to 0.4% d/d while in Asia, JPY and CNH depreciated slightly by less than 0.1% d/d each. For the former, the Bank of Japan announced an unscheduled bond-buying to keep downward pressure on yields. MYR and SGD, meanwhile, depreciated by 0.2% d/d and 0.4% d/d to 4.7470 and 1.3734.
- Concerns over the Israel-Hamas conflict, coupled with hopes of strengthening demand from China lifted crude oil prices between 1.8%-1.9% d/d respectively.

Still soft housing data from the US

- Key highlights from the Beige Book include: 1) Little to no change in economic activity across the districts. 2) Consumer spending and manufacturing activities were mixed, and tourism activity continued to improve, supporting the former. 3) Slight to modest declines in loan demand but consumer credit quality was stable or healthy. 4) Real estate conditions were little changed and inventory of homes for sale remained low. 5) Near-term outlook is stable or having slightly weaker growth.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	33,665.08	-0.98
S&P 500	4,314.60	-1.34
NASDAQ	13,314.30	-1.62
Stoxx Eur 600	445.02	-1.05
FTSE 100	7,588.00	-1.14
Nikkei 225	32,042.25	0.01
CSI 300	3,610.58	-0.79
Hang Seng	17,732.52	-0.23
Straits Times	3,136.62	-1.11
KLCI 30	1,446.54	0.17
FX		
Dollar Index	106.57	0.30
EUR/USD	1.0536	-0.39
GBP/USD	1.2140	-0.35
USD/JPY	149.93	0.08
AUD/USD	0.6336	-0.46
USD/CNH	7.3277	0.03
USD/MYR	4.7470	0.23
USD/SGD	1.3734	0.37
Commodities		
WTI (\$/bbl)	88.32	1.92
Brent (\$/bbl)	91.50	1.78
Gold (\$/oz)	1,955.30	1.70
Copper (\$\$/MT)	7,972.50	0.03
Aluminum(\$/MT)	2,182.00	0.23
CPO (RM/tonne)	3,720.00	0.31

Source: Bloomberg, HLBB Global Markets Research
* Dated as of 17 Oct for CPO

- Housing data continued to paint a soft housing market. Housing starts rebounded less than expected by +7.0% m/m in September (Aug: -12.5% m/m) while forward looking indicator building permits, declined less than expected by -4.4% m/m (Aug: +6.8% m/m). Mortgage applications also fell 6.9% w/w for the week ended October 13 (Oct 6: +0.6% w/w) to their lowest level since 1995 as the 30Y fixed mortgage rate increased for the sixth week to 7.70%.

Higher fuel prices pushed UK's inflation rate to higher than expected

- Both headline and core inflation rate came above expectations at +6.7% y/y and +6.1% y/y respectively in September (Aug: +6.7% y/y and +6.2% y/y) as rising petrol prices keep inflation rate elevated. This negated downward contributions from food and non-alcoholic beverages as well as furniture and household goods. The former, in fact, registered its first m/m decline since September 2021.
- Separate data also showed that PPI, input and output fell for the third month by 2.6% y/y and 0.1% y/y for the same month (Aug: -2.0% y/y and -0.5% y/y), driven by lower chemical and petroleum product while growth in the House Price Index eased for the second month albeit less than expected by +0.2% y/y in August (Jul: +0.7% y/y).

Japan's exports grew for the first time in three months

- Data this morning showed that exports rebounded more than expected by +4.3% y/y in September (Aug: -0.8% y/y), driven by export of motor vehicles, chemicals and raw materials. This marks the first growth in three months and will aid GDP growth in 3Q.

China's 3Q GDP accelerated to +1.3% q/q

- China's economy grew at a faster-than-expected clip of +4.9% y/y in 3Q (2Q: +6.3% y/y and 1Q: +4.5% y/y). Thanks partially to a bumper 2Q, YTD growth stood at +5.2% y/y. Coupled with signs of stability in recent economic indicators and after government's various targeted stimulus measures, we expect the economy to carry enough steam to reach Beijing's full-year growth target of 5.0%.
- On a q/q basis, GDP growth accelerated to 1.3% q/q (2Q: +0.5% q/q), supported by a pick-up in consumer spending while exports and the property market remained a drag. As it is, data showed that retail sales accelerated more than expected to +5.5% y/y in September (Aug: +4.6% y/y), bringing the YTD growth sturdy at +6.8% y/y. This is largely in line with the better-than-expected jobless rate at 3.1% (Aug: 3.2%). IPI, meanwhile, held steady at +4.5% y/y (YTD: +4.0% y/y) despite the continued contraction in exports, while fixed asset investment (FAI) softened slightly to +3.1% y/y YTD (YTD Aug: +3.2% y/y). Largely weighing on FAI was the property slump which saw property investment plunging 9.1% y/y YTD.

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
19-Oct	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%
20-Oct	UK GfK Consumer Confidence (Oct)	-21
	JN Natl CPI YoY (Sep)	3.20%
	CH 5-Year Loan Prime Rate	4.20%
	CH 1-Year Loan Prime Rate	3.45%
	MA CPI YoY (Sep)	2.00%
	UK Retail Sales Inc Auto Fuel YoY (Sep)	-1.40%
	MA Foreign Reserves	\$110.1bn

Source: Bloomberg

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