20 October 2023

Global Markets Research

Daily Market Highlights

20 Oct: Powell's comments in spotlight

Powell signalled no rate hikes in November; No evidence of too tight policy right now

US Leading Index worsened; Existing home sales fell to its lowest level since 2010

Contraction in Malaysia's trade data narrower than expected

- US equity markets whipsawed following Federal Reserve Chair Jerome Powell's speech at the Economic Club of New York but ultimately ended the day 0.8 d/d lower for Dow Jones, -0.9% d/d for S&P 500 and -1.0% d/d for Nasdaq. Powell initially suggested that Fed is unlikely to raise interest rates again in November, a reprieve for investors but later spooked the markets when he said that he didn't see evidence that the policy rate is too tight right now. Investors were also weighing that slew of 3Q corporate earnings results released. Tesla slid 9.3% d/d after results miss, but Netflix jumped 16.1% d/d on strong user gains. Beyond technology stocks, AT&T climbed 6.6% d/d after beating forecasts and raising its outlook.

- European and regional indices also closed mostly in the red, with Stoxx Eur 600 and FTSE 100 dropping in tune to 1.2% d/d each and Nikkei 225, CSI 300 and Hang Seng declining between 1.9%-2.5% d/d.

- The 10Y UST yield closed 8bps higher at 4.99%, hovering near its 16Y high post Powell's remarks, while the 2Y fell 6bps to 5.16%. 10Y European bond yields closed mixed between -5 to +3bps.

- DXY closed the day 0.3% d/d lower at 106.25 following Powell's speech. GBP closed flattish at 1.0582 while EUR strengthened 0.4% d/d. In Asia, JPY closed 0.1% d/d stronger but remained near the 150-threshold. SGD appreciated by less than 0.1% d/d to 1.3728, but CNH and MYR weakened 0.1% d/d and 0.5% d/d respectively to 7.3365 and 4.7700.

- Oil settled up between 1.0%-1.2% d/d on nagging concerns over the Middle East conflict. Gains were limited after the US suspended some restrictions on Venezuela in return for freer elections.

US Leading Index worsened; existing home sales fell to its lowest level since 2010

- Leading Economic Index (LEI) fell more than expected by -0.7% in September (Aug: -0.5%) with negative or flat contributions from nine of the index's ten components. Although the six-month growth rate in the LEI is less negative (-3.4% vs -4.6%) and did not signal recession, it still indicates risk of economic weakness ahead.
- Battered by limited inventory and low housing affordability, the contraction in existing-home sales worsened, albeit less than forecast by-2.0% m/m in September (Aug: -0.7% m/m). At 3.96m, this is the lowest since 2010. The

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	33,414.17	-0.75
S&P 500	4,278.00	-0.85
NASDAQ	13,186.17	-0.96
Stoxx Eur 600	439.73	-1.19
FTSE 100	7,499.53	-1.17
Nikkei 225	31,430.62	-1.91
CSI 300	3,533.54	-2.13
Hang Seng	17,295.89	-2.46
Straits Times	3,099.60	-1.18
KLCI 30	1,442.66	-0.27
FX		
Dollar Index	106.25	-0.29
EUR/USD	1.0582	0.44
GBP/USD	1.2144	0.03
USD/JPY	149.80	-0.09
AUD/USD	0.6329	-0.11
USD/CNH	7.3365	0.12
USD/MYR	4.7700	0.48
USD/SGD	1.3728	-0.04
Commodities		
WTI ($/bbl)	89.37	1.19
Brent ($/bbl)	92.38	0.96
Gold ($/oz)	1,968.40	0.67
Copper ($$/MT)	7,993.00	0.26
Aluminum($/MT)	2,185.00	0.14
CPO (RM/tonne)	3,747.00	0.73

Source: Bloomberg, HLBB Global Markets Research
** Dated as of 18 Oct for CPO*

median existing-home sales price grew 2.8% y/y, marking the third consecutive month of y/y increases while the inventory of unsold existing homes stood at 1.13m or the equivalent of 3.4 months' supply at the current monthly sales pace. This is below the 5 months threshold indicative of a tight market.

- Jobless claims unexpectedly fell by 13k to its 9-month low of 198k for the week ended October 14 (Oct 7: +2k). Continuing claims, meanwhile, rose 29k to 1.73k the prior week (Sep: 30: +33k), the highest since July and suggesting that those who lost their jobs may be having trouble finding new ones.
- The Philadelphia Fed Business Outlook index fell more than expected to -9.0 in October (Sep: -13.5) as new orders and shipments remained low albeit positive. The employment index turned positive, and both price indices indicate overall increases in prices. The firms continue to expect growth overall over the next six months, but most future indicators declined.

UK's consumer confidence unexpectedly worsened

- GfK consumer confidence unexpectedly worsened to -30 in October (Sep: -21) as the climate for major purchases, economic and personal finance outlook indices all worsened during the month. Contributing to the unease are the accelerating costs of living, higher cost of filling petrol tanks, surging mortgage and rental rates, slowing jobs market as well as uncertainties due to the conflict in the Middle East.

Australia's employment change much lower than expected

- Employment change came significantly below consensus at +6.7k in September (Aug: +63.3k), reaffirming RBA's assessment that the labour market has reached a turning point. Unemployment rate, nevertheless, improved 0.1ppts to 3.6% mainly reflecting a higher proportion of people moving from being unemployed to not in the labour force. Separately, NAB's Business Confidence index improved to -1 in 3Q (2Q: -4).

Japan's inflation moderated in line with BOJ's view

- Matching expectations, inflation eased to +3.0% y/y in September (Aug: +3.2% y/y) but core decelerated less than expected to +4.2% y/y (Aug: +4.3% y/y). The data is in line with BOJ's view that inflation has peaked and was largely driven by lower commodity prices, especially gas and electricity bills.

Hong Kong's unemployment rate low and stable at 2.8%

- Unemployment rate remained low and stable at 2.8% for the 3-months ended September. Moving forward, continued growth in consumption- and tourism-related activities will continue to support the labour market.

China's new home prices remained contractionary

- New home prices remained contractionary at +0.30% m/m in September (Aug: -0.29% m/m) as home prices fell in 54 cities as compared to 52 previously.

Contraction in Malaysia's trade data narrower than expected

- The contraction in exports and imports narrowed more than expected to -13.7% y/y and -11.1% y/y respectively in September (Aug: -18.7% y/y and -21.2% y/y). On a m/m basis, exports recorded its first monthly increase in 3 months at +8.2% (Aug: -1.5% m/m), while imports also rebounded to grow

+2.1% m/m (Aug: -1.6% m/m). As export growth outpaced imports, trade surplus widened to RM24.5bn (Aug: RM17.8bn).

- The smaller decline in exports was primarily driven by manufactured and agriculture goods (-11.8% y/y and -23.1% y/y), while the contraction in mining exports widened (-28.0% y/y). Within the manufacturing sectors, contraction was broad-based with the exception of processed food, non-metallic mineral products, paper & pulp as well as beverages & tobacco. The contraction in exports of electronics and electrical (E&E) narrowed to 5.3% y/y (Aug: -15.3% y/y) while on a m/m basis, the sector surged 25.7% m/m. In terms of commodities, exports of agriculture products narrowed to -23.1% y/y, while exports of mining products worsened to -28.0% y/y on LNG and crude petroleum.

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
20-Oct	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
23-Oct	SI CPI YoY (Sep)	4.00%
	US Chicago Fed Nat Activity Index (Sep)	-0.16
	EC Consumer Confidence (Oct P)	-17.8

Source: Bloomberg

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