

21 July 2023

**Global Markets Research**
**Daily Market Highlights**

## 21 July: UST yields jumped on lower jobless claims

**Dow Jones notched its longest winning streak since 2017 on J&J earnings**

**US leading index worsened; existing home sales fell to 5-month low on low inventory**

**PBoC maintained loan prime rates; CNH strengthened**

- The Dow Jones Industrial Average gained for the 9<sup>th</sup> day, notching its longest winning streak since 2017 after better-than-expected quarterly earnings from Johnson & Johnson, but the broader market suffered after reports showed earnings declined in Netflix and Tesla. Dow Jones, which has less dependence on tech stocks, added 0.5% d/d but S&P 500 and Nasdaq slipped 0.7% and 2.1% d/d respectively. In Europe, Stoxx Eur 600 closed 0.4% d/d higher, while FTSE 100 jumped 0.8% d/d. Asian markets generally closed lower, with Hang Seng index extending its losses, falling 0.1% d/d. Nikkei 225 was down 1.2% d/d.
- Expectations for a one-and-done stance for the fed funds rate was challenged after fresh jobless claims data showed a still tight labour market. OIS pricing currently placed chance of a September hike at 17% (prior 12%). Consequently, UST yields climbed with the 2Y closing up 7bps to 4.84% and the 10Y up 10bps to 3.85%. 10Y European bond yields rose between 3-6bps.
- USD firmed on the slight tweak in Fed outlook, sending DXY up 0.6% d/d to 100.88. EUR and GBP weakened 0.6% d/d each with the latter continuing to be weighed down by this week's lower inflation data that eased pressure for the BOE to keep raising its policy rate. Regional currencies closed mixed, with JPY depreciating by 0.3% d/d but CNH strengthened 0.8% d/d. SGD and MYR closed weaker between 0.1%-0.2% d/d each at 1.3270 and 4.5433.
- Oil prices crept higher between 0.2%-0.4% d/d on mixed fundamental outlook.

**China maintained 1Y and 5Y loan prime rates at 3.55% and 4.20%**

- As widely expected, the People's Bank of China maintained its 1Y and 5Y loan prime rates unchanged at 3.55% and 4.20% respectively after keeping its 1Y medium-term lending facility rate (MLF) unchanged at 2.65% earlier in the week. There is no change in our view that the monetary policy will stay accommodative, but we believe that any cuts in 2023 will be largely capped between 20-35bps (PBoC cut rates by 20bps in 2022 and 35bps for the period 4Q19-2020). PBoC will focus on other targeted measures instead of relying on just interest rates.

**US leading index worsened; existing home sales fell to a 5-month low on low inventory; jobless claims unexpectedly fell 9k to its lowest in 2 months**

- The Leading Index unexpectedly worsened to -0.7% m/m in June (May: -0.6% m/m), underpinned by gloomier consumer expectations, weaker new orders,

**Key Market Metrics**

	Level	d/d (%)
<b>Equities</b>		
Dow Jones	35,225.18	0.47
S&P 500	4,534.87	-0.68
NASDAQ	14,063.31	-2.05
Stoxx Eur 600	463.93	0.42
FTSE 100	7,646.05	0.76
Nikkei 225	32,490.52	-1.23
Hang Seng	18,928.02	-0.13
Straits Times	3,274.38	-0.03
KLCI 30	1,406.69	0.26
<b>FX</b>		
Dollar Index	100.88	0.60
EUR/USD	1.1130	-0.63
GBP/USD	1.2868	-0.56
USD/JPY	140.07	0.30
AUD/USD	0.6779	0.10
USD/CNH	7.1751	-0.78
USD/MYR	4.5433	0.08
USD/SGD	1.3270	0.15
<b>Commodities</b>		
WTI (\$/bbl)	75.63	0.37
Brent (\$/bbl)	79.64	0.23
Gold (\$/oz)	1,970.90	-0.50
Copper (\$\$/MT)	8,485.50	0.67
Aluminum(\$/MT)	2,201.00	0.48
CPO (RM/tonne)	3,873.00	0.08

Source: Bloomberg, HLBB Global Markets Research  
\* Dated as of 18<sup>th</sup> July for CPO

an increased number of initial claims for unemployment, and a reduction in housing construction. The Leading Index has been in decline for 15 months, the longest streak of consecutive decreases since 2007-08 during the run-up to the recession, suggesting that economic activity will continue to decelerate in the months ahead.

- Existing home sales fell to its 5-month low of 4.2m in June, falling more than expected by 3.3% m/m (May: +0.2% m/m to 4.3m) due to limited inventory, which also helped to push selling prices to its second highest in record. The number of homes for sale held at 1.1m, the lowest June inventory on record, while median selling price held firm at \$410,200. At the current sales pace, it would take 3.1 months to sell all properties on the market, below the 5-months threshold indicative of a tight market.
- Initial jobless claims unexpectedly fell 9k to its lowest in 2 months at 228k for the week ended July 15 (Jul 8: -12k to 237k). Continuing claims, meanwhile, posted its largest increase in more than 3 months by 33k to 1754k for the week ending July 8 (Jul 1: +3k to 1721k).
- Manufacturing activity in the Philadelphia region continued to decline in July, with the Manufacturing Business Outlook Survey improving less than expected to -13.5 (June: -13.7). Nevertheless, most future indicators improved, suggesting more widespread expectations for overall growth over the next six months.

#### **Eurozone's consumer confidence improved**

- Eurozone's consumer confidence improved more than expected to -15.1 in June (May: -16.1). The improvement suggests that the gauge is slowly but steadily recovering towards its long-term average.

#### **UK's consumer confidence plummeted**

- UK's consumer confidence fell for the first time in 6 months and more than expected to -30 in July (June: -24). This is the sharpest drop in 15 months and the lowest reading since April. According to GfK, "reality has started to bite" as people continue to struggle to make ends meet, suggesting that consumer may be pulling back from spending.

#### **Australia's employment softened less than expected**

- NAB Business confidence edged up but remained negative at -3 in 2Q (1Q: -4). Forward looking indicators in the survey have also softened, indicating firms expect further slowing going forward. Expected business conditions fell to +14 (1Q: +20), while forward orders turned negative at -1.
- Australia's employment change doubled consensus estimate at 32.6k in June (May: 76.5k). This strong job growth kept the unemployment rate steady at 3.5% (May: 3.5%) and employment-to-population ratio at a record high 64.5%, reflecting a tight labour market.

#### **Japan's CPI unexpectedly picked up slightly, but core softened**

- Japan's inflation rate unexpectedly accelerated to 3.3% y/y in June (May: +3.2% y/y), while core eased to +4.2% y/y (May: 4.3% y/y). The uptick was primarily driven by higher medical and entertainment costs, while utilities registered a slower contraction. BOJ is set to meet next week and there is no change in our call that the board will stay pat in this meeting.

### Hong Kong's inflation remained moderate at 1.9%

- Matching expectations, Hong Kong's inflation moderated to 1.9% % y/y in June 2023 (May: +2.0% y/y). Prices of energy-related items increased sharply y/y, while those of clothing and footwear as well as meals out and takeaway food rose visibly. Nevertheless, price pressures on other major components remained in check. Looking ahead, while external price pressures may recede further, domestic business costs could face some upward pressures as the economy recovers.

### Malaysia's exports and imports registered bigger double-digit declines

- Malaysia's external trade registered bigger declines in June as expected. Lackluster demand from all major export destinations and distortion from the high base effect in June last year contributed to the steep fall. Overall exports plummeted 14.1% y/y in June (May: -0.9% y/y downwardly revised) while total imports plunged 18.9% y/y during the month (May: -3.7% y/y downwardly revised), extending its losing streak into a 4th straight month. This, coupled with declines seen across all key exports and import categories, added to signs of a sluggish trade backdrop that would undermine overall growth going forward. We however found some comfort in the higher trade surplus of RM25.8bn (May: RM15.7bn), underpinned by increase in exports (+3.7% m/m) and declines in imports (-5.4% m/m).

### House View and Forecasts

FX	This Week	3Q-23	4Q-23	1Q-24	2Q-24
DXY	98-103	102	101	100	99
EUR/USD	1.10-1.14	1.11	1.12	1.14	1.12
GBP/USD	1.29-1.33	1.29	1.31	1.33	1.30
USD/JPY	134-142	141	139	136	133
AUD/USD	0.67-0.70	0.67	0.68	0.68	0.69
USD/MYR	4.52-4.62	4.69	4.64	4.60	4.55
USD/SGD	1.31-1.35	1.35	1.34	1.33	1.33

Rates, %	Current	3Q-23	4Q-23	1Q-24	2Q-24
Fed	5.00-5.25	5.25-5.50	5.25-5.50	5.00-5.25	4.50-4.75
ECB	4.00	4.25	4.25	4.25	4.00
BOE	5.00	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
21-Jul	UK Retail Sales Inc Auto Fuel MoM (Jun)	0.30%
24-Jul	AU Judo Bank Australia PMI Mfg (Jul P)	48.2
	AU Judo Bank Australia PMI Services (Jul P)	50.3
	JN Jibun Bank Japan PMI Mfg (Jul P)	49.8
	JN Jibun Bank Japan PMI Services (Jul P)	54
	MA CPI YoY (Jun)	2.80%
	SI CPI YoY (Jun)	5.10%
	MA Foreign Reserves	\$111.4b
	EC HCOB Eurozone Manufacturing PMI (Jul P)	43.4
	EC HCOB Eurozone Services PMI (Jul P)	52
	UK S&P Global/CIPS UK Manufacturing PMI (Jul P)	46.5
	UK S&P Global/CIPS UK Services PMI (Jul P)	53.7
	US Chicago Fed Nat Activity Index (Jun)	-0.15
	US S&P Global US Manufacturing PMI (Jul P)	46.3
	US S&P Global US Services PMI (Jul P)	54.4

Source: Bloomberg

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