

22 August 2023

## Global Markets Research

### Daily Market Highlights

## 22 Aug: PBoC took centre stage

**PBoC cut its 1Y loan prime rate by 10bps to 3.45%; 5Y maintained at 4.20%**  
**China state-owned banks mopped up offshore yuan liquidity; CNH strengthened**  
**NASDAQ broke 4-day losing streak despite higher Treasury yields**

- A rally in mega cap tech stocks supported a 1.6% d/d surge in Nasdaq, snapping its 4-day losing streak and despite higher UST yields overnight. The S&P 500 also gained 0.7% d/d, but the Dow Jones Industrial Average fell 0.1% d/d. Nvidia rallied 8.5% d/d ahead of its earnings report due Wednesday, while Tesla and Meta also climbed 7.3% and 2.4% d/d respectively.
- The European markets closed mixed, with Stoxx Eur 600 edging up by 0.1% d/d, but FTSE100 closed 0.1% d/d lower. In Asia, PBoC largely underwhelmed the markets with a smaller rate cut for its 1Y loan prime rate while keeping its 5Y unchanged. Consequently, Hang Seng slipped 1.8% d/d, while CSI 300 finished down 1.4% d/d, hitting its lowest level since November 2022. Nikkei 225, on the other hand, rose 0.4% d/d.
- Treasuries resumed their losses after a brief reprieve, again led by the long end, with the 10Y yield rising another 8bps to close at 4.34%, while the 30Y surged 7bps to 4.45%. The 2Y yield rose 6bps to 5.00%. 10Y European bond yields also closed 5-8bps higher.
- DXY closed 0.1% d/d lower at 103.30 after sliding from its 103.50 peak, depreciating against all of its G10 peers except for JPY with traders cautious ahead of Fed's Jackson Hole symposium. CNH weakened to as low as 7.3361 before rebounding to close the day 0.2% d/d stronger at 7.2892. This comes after reports that state-owned Chinese banks were mopping up offshore yuan liquidity, raising the cost of shorting the currency. MYR and SGD, meanwhile, closed flattish at 4.6488 and 1.3575.
- Crude oil settled 0.4%-0.7% d/d lower on growing demand risks from China and on signs of rebounding supply. It was reported that Iraq's oil minister plans to discuss resuming oil exports through the Ceyhan terminal.

#### Key Market Metrics

	Level	d/d (%)
<b>Equities</b>		
Dow Jones	34,463.69	-0.11
S&P 500	4,399.77	0.69
NASDAQ	13,497.59	1.56
Stoxx Eur 600	448.66	0.05
FTSE 100	7,257.82	-0.06
Nikkei 225	31,565.64	0.37
Hang Seng	17,623.29	-1.82
Straits Times	3,154.03	-0.63
KLCI 30	1,450.57	0.31
<b>FX</b>		
Dollar Index	103.30	-0.07
EUR/USD	1.0896	0.21
GBP/USD	1.2756	0.17
USD/JPY	146.22	0.57
AUD/USD	0.6414	0.12
USD/CNH	7.2892	-0.24
USD/MYR	4.6488	0.00
USD/SGD	1.3575	0.02
<b>Commodities</b>		
WTI (\$/bbl)	80.72	-0.65
Brent (\$/bbl)	84.46	-0.40
Gold (\$/oz)	1,893.30	0.38
Copper (\$\$/MT)	8,274.50	0.41
Aluminum(\$/MT)	2,144.00	0.33
CPO (RM/tonne)	3,876.50	0.38

Source: Bloomberg, HLBB Global Markets Research

\* Dated as of 18 Aug for CPO

#### China cut 1Y loan prime rate to 3.45%; maintained 5Y rate at 4.20%

- The People's Bank of China (PBoC) cut its 1Y loan prime rate by 10bps to 3.45% while maintaining its 5Y rate unchanged at 4.20%, against consensus expectations that both rates will be slashed by 15bps each. In our opinion, there are doubts that its record low lending rates will be best to support the economy, especially the housing market, but rather serves as a signal that officials are aware of the prevailing concerns and we can expect more targeted fiscal and non-monetary stimulus measures to be rolled out soon.

### Hong Kong's inflation eased to 1.8%

- Inflation unexpectedly eased to 1.8% y/y in July (June: +1.9% y/y). Contributing to the price inflation was the surge in prices of electricity, albeit at a moderated pace, while prices of clothing and footwear as well as meals out and takeaway food continued to register visible increases. Price pressures for other major components remained broadly in check. Looking ahead, inflation should stay moderate in the near term as external price pressures eases, offsetting higher domestic costs due to the ongoing economic recovery.

### House View and Forecasts

FX	This Week	3Q-23	4Q-23	1Q-24	2Q-24
DXY	101-105	102	101	100	99
EUR/USD	1.07-1.11	1.11	1.12	1.14	1.12
GBP/USD	1.26-1.30	1.29	1.31	1.33	1.30
USD/JPY	143-148	141	139	136	133
AUD/USD	0.63-0.66	0.67	0.68	0.68	0.69
USD/MYR	4.58-4.68	4.69	4.64	4.60	4.55
USD/SGD	1.34-1.37	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	4.25	4.25	4.25	4.25	4.00
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	4.35	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
22-Aug	MA Foreign Reserves	\$112.9b
	UK CBI Trends Total Orders (Aug)	-9
	US Philadelphia Fed Non-Manufacturing Activity (Aug)	1.4
	US Existing Home Sales MoM (Jul)	-3.30%
	US Richmond Fed Manufact. Index (Aug)	-9
	US Richmond Fed Business Conditions (Aug)	-8
23-Aug	AU Judo Bank Australia PMI Mfg (Aug P)	49.6
	AU Judo Bank Australia PMI Services (Aug P)	47.9
	JN Jibun Bank Japan PMI Mfg (Aug P)	49.6
	JN Jibun Bank Japan PMI Services (Aug P)	53.8
	SI CPI YoY (Jul)	4.50%
	EC HCOB Eurozone Manufacturing PMI (Aug P)	42.7
	EC HCOB Eurozone Services PMI (Aug P)	50.9
	UK S&P Global/CIPS UK Manufacturing PMI (Aug P)	45.3
	UK S&P Global/CIPS UK Services PMI (Aug P)	51.5
	US MBA Mortgage Applications	-0.80%
	US S&P Global US Manufacturing PMI (Aug P)	49
	US S&P Global US Services PMI (Aug P)	52.3
	US New Home Sales MoM (Jul)	-2.50%
	EC Consumer Confidence (Aug P)	-15.1

Source: Bloomberg

### Hong Leong Bank Berhad

Fixed Income & Economic Research, Global Markets  
 Level 8, Hong Leong Tower  
 6, Jalan Damansara  
 Bukit Damansara  
 50490 Kuala Lumpur  
 Tel: 603-2081 1221  
 Fax: 603-2081 8936

[HLMarkets@hlbb.hongleong.com.my](mailto:HLMarkets@hlbb.hongleong.com.my)

**DISCLAIMER**

This report is for information purposes only and does not take into account the investment objectives, financial situation or particular needs of any particular recipient. The information contained herein does not constitute the provision of investment advice and is not intended as an offer or solicitation with respect to the purchase or sale of any of the financial instruments mentioned in this report and will not form the basis or a part of any contract or commitment whatsoever.

The information contained in this publication is derived from data obtained from sources believed by Hong Leong Bank Berhad ("HLBB") to be reliable and in good faith, but no warranties or guarantees, representations are made by HLBB with regard to the accuracy, completeness or suitability of the data. Any opinions expressed reflect the current judgment of the authors of the report and do not necessarily represent the opinion of HLBB or any of the companies within the Hong Leong Bank Group ("HLB Group"). The opinions reflected herein may change without notice and the opinions do not necessarily correspond to the opinions of HLBB. HLBB does not have an obligation to amend, modify or update this report or to otherwise notify a reader or recipient thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

HLB Group, their directors, employees and representatives do not have any responsibility or liability to any person or recipient (whether by reason of negligence, negligent misstatement or otherwise) arising from any statement, opinion or information, expressed or implied, arising out of, contained in or derived from or omission from the reports or matter.

Potential and actual conflict of interest may arise from the activities of HLB Group. HLB Group constitute a diversified financial services group. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, hedging transactions and other activities for their own account or the account of others. In the ordinary course of their business, HLB Group may effect transactions for their own account or for the account of their customers and hold long or short positions in the financial instruments. HLB Group, in connection with its business activities, may possess or acquire material information about the financial instruments. Such activities and information may involve or have an effect on the financial instruments. HLB Group have no obligation to disclose such information about the financial instruments or their activities.

The past performance of financial instruments is not indicative of future results. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Any projections or forecasts mentioned in this report may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information. No assurance can be given that any opinion described herein would yield favourable investment results. Recipients who are not market professional or institutional investor customer of HLBB should seek the advice of their independent financial advisor prior to taking any investment decision based on the recommendations in this report.

HLBB may provide hyperlinks to websites of entities mentioned in this report, however the inclusion of a link does not imply that HLBB endorses, recommends or approves any material on the linked page or accessible from it. Such linked websites are accessed entirely at your own risk. HLBB does not accept responsibility whatsoever for any such material, nor for consequences of its use.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. This report is for the use of the addressees only and may not be redistributed, reproduced or passed on to any other person or published, in part or in whole, for any purpose, without the prior, written consent of HLBB. The manner of distributing this report may be restricted by law or regulation in certain countries. Persons into whose possession this report may come are required to inform themselves about and to observe such restrictions. By accepting this report, a recipient hereof agrees to be bound by the foregoing limitations.