

23 October 2023

Global Markets Research

Daily Market Highlights

23 Oct: PBoC maintained loan prime rates

Higher borrowing costs, Israel-Hamas war hit equity markets; flight to safety boosted UST

UK retail sales fell due to weather; higher cost of living ate into discretionary spending

Malaysia's maiden advance 3Q GDP accelerated to +3.3%; September inflation eased to 1.9%

- Higher borrowing costs and intensification of the Israel-Hamas war sent global equities into the red. The three major US indices fell between 0.9-1.5% d/d. Financial stocks were the hardest hit, and not helping was the string of weak 3Q corporate earnings. Regions Financial plunged 12.4% d/d, while American Express lost 5.4% d/d. In Europe, Stoxx Eur 600 and FTSE 100 closed down between 1.3-1.4% d/d, while in Asia, Nikkei 225, CSI 300 and Hang Seng slid between 0.5-0.7% d/d.
- Flight to quality boosted demand for Treasuries, sending the 2Y down 9bps to 5.07% and the 10Y down 8bps to 4.91%. With the exception of Portuguese sovereign bonds, 10Y European bond yields declined between 2-6bps.
- DXY firmed to 106.42 before retreating and closing 0.1% d/d lower at 106.16 as a less hawkish Fed stance weighed on USD. European currencies strengthened in tune to 0.1-0.2% d/d, while in Asia, CNH, SGD and MYR appreciated by around 0.1% d/d each. JPY closed flattish at 149.86.
- In the commodity markets, crude oil prices fell between 0.2%-0.7% d/d, but the Middle East turmoil pushed safe-haven gold up 0.7% d/d.

PBoC maintained lending rates at 3.45% and 4.20% for 1Y and 5Y respectively

- As widely expected, the People's Bank of China (PBoC) maintained the 1Y and 5Y loan prime rates unchanged at 3.45% and 4.20% respectively. There is no change in our view that officials will largely focus on targeted stimulus measures and ensuring adequate liquidity, while maintaining an accommodative monetary policy to support the economy. Separately, data showed that inbound FDI into China contracted by 8.4% y/y for the first nine months of 2023.

UK's retail sales fell on clothing followed by watches and jewellery

- Retail sales contracted more than expected by 0.9% m/m in September (Aug: +0.4% m/m) led by a 1.6% m/m fall in clothing sales due to unseasonably mild weather. Other non-food stores also dipped 2.0% m/m mainly because of falls in watches and jewellery stores as higher cost of living pressure ate into discretionary spending.

Hong Kong's CPI unexpectedly accelerated to +2.0%

- Inflation rate unexpectedly accelerated to +2.0% y/y in September (Aug: +1.8% y/y). The larger increase was mainly due to the increases in food prices,

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	33,127.28	-0.86
S&P 500	4,224.16	-1.26
NASDAQ	12,983.81	-1.53
Stoxx Eur 600	433.73	-1.36
FTSE 100	7,402.14	-1.30
Nikkei 225	31,259.36	-0.54
CSI 300	3,510.59	-0.65
Hang Seng	17,172.13	-0.72
Straits Times	3,076.69	-0.74
KLCI 30	1,441.04	-0.11
FX		
Dollar Index	106.16	-0.08
EUR/USD	1.0594	0.11
GBP/USD	1.2164	0.16
USD/JPY	149.86	0.04
AUD/USD	0.6314	-0.24
USD/CNH	7.3271	-0.13
USD/MYR	4.7677	-0.05
USD/SGD	1.3725	-0.02
Commodities		
WTI (\$/bbl)	88.75	-0.69
Brent (\$/bbl)	92.16	-0.24
Gold (\$/oz)	1,982.50	0.72
Copper (\$\$/MT)	7,948.50	-0.56
Aluminum(\$/MT)	2,181.50	-0.16
CPO (RM/tonne)	3,756.00	0.24

Source: Bloomberg, HLBB Global Markets Research
* Dated as of 19 Oct for CPO

in particular for fresh vegetables whose prices increased significantly due to the impact of typhoons and extreme weather conditions. Looking ahead, overall inflation should stay moderate in the near term. While external price pressures are expected to abate further, domestic business costs might face some upward pressures.

Malaysia's 3Q GDP accelerated to +3.3%; inflation rate unexpectedly eased to 1.9% in September

- Malaysia's GDP accelerated to +3.3% y/y in 3Q (2Q: +2.9% y/y), spearheaded by the services sector (+5.1% y/y and +4.7% y/y) and supported by the construction (+5.8% y/y and +6.2% y/y) and agriculture sectors (+0.8% y/y vs -1.1% y/y). The favourable services sector was attributed to wholesale & retail trade; transportation & storage and business services sub-sectors, while the agriculture sector was boosted by better production of oil palm. The mining & quarrying as well as manufacturing sectors declined by -0.1% y/y each (2Q: -2.3% y/y and +0.1% y/y), the former due to decrease in natural gas output and the latter due to weaker demand for electrical, electronic & optical products as well petroleum, chemical, rubber & plastic products.
- Headline CPI unexpectedly eased to +1.9% y/y in September (Aug: +2.0% y/y) after staying unchanged at +2.0% y/y for the past two months. Driving the deceleration in prices were 7 of the 12 major groups, which more than offset the uptick in 3 categories. Despite the softening headline, core prices were nonetheless unchanged at 2.5% y/y. On a m/m basis, the increase in CPI remained very well-contained at +0.1% m/m (Aug: +0.2% m/m).
- Foreign reserves fell further by \$1.2bn in 1H of October to \$108.9bn as of 13 October (2H of Sep: -\$1.4bn). The reserves position is sufficient to finance 5.1 months of imports of goods and services and is 1.0 times the total short-term external debt.

House View and Forecasts

FX	This Week	4Q-23	1Q-24	2Q-24	3Q-24
DX	104-108	107	107	106	105
EUR/USD	1.04-1.07	1.04	1.04	1.04	1.05
GBP/USD	1.19-1.23	1.20	1.20	1.20	1.21
USD/JPY	148-151	150	147	144	141
AUD/USD	0.62-0.65	0.64	0.65	0.66	0.67
USD/MYR	4.74-4.80	4.74	4.69	4.65	4.60
USD/SGD	1.35-1.39	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
23-Oct	SI CPI YoY (Sep)	4.00%
	US Chicago Fed Nat Activity Index (Sep)	-0.16
	EC Consumer Confidence (Oct P)	-17.8
24-Oct	AU Judo Bank Australia PMI Mfg (Oct P)	48.7
	AU Judo Bank Australia PMI Services (Oct P)	51.8
	JN Jibun Bank Japan PMI Mfg (Oct P)	48.5

JN Jibun Bank Japan PMI Services (Oct P)	53.8
UK ILO Unemployment Rate 3Mths (Aug)	4.30%
UK Employment Change 3M/3M (Aug)	-207k
EC HCOB Eurozone Manufacturing PMI (Oct P)	43.4
EC HCOB Eurozone Services PMI (Oct P)	48.7
UK S&P Global/CIPS UK Manufacturing PMI (Oct P)	44.3
UK S&P Global/CIPS UK Services PMI (Oct P)	49.3
UK CBI Trends Total Orders (Oct)	-18
US Philadelphia Fed Non-Manufacturing Activity (Oct)	-16.6
US S&P Global US Manufacturing PMI (Oct P)	49.8
US S&P Global US Services PMI (Oct P)	50.1
US Richmond Fed Manufact. Index (Oct)	5
US Richmond Fed Business Conditions (Oct)	-5

Source: Bloomberg

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