

23 November 2023

Global Markets Research

Daily Market Highlights

23 Nov: Tamer markets ahead of the Thanksgiving break

US equities rebounded; DXY strengthened; UST yields closed generally higher

Elevated inflationary expectations in the US; lower jobless claims and durable goods orders

OBR: meagre 0.7% growth in the UK economy next year; CPI halved to 3.6% in 2024

- US equity markets resumed their upward trend after a down day on Tuesday, with all 3 major indices gaining between 0.4-0.5% d/d. Travel stocks gained, with airlines and cruise operators amongst the outperformers in S&P 500, while energy stocks fell alongside oil prices after OPEC+ said it would delay its meeting. Meanwhile, Nvidia slipped 2.5% d/d despite its results topping estimates. Weighing on the stock was the chipmaker's warning that export restrictions on China would weigh on its fiscal 4Q.
- Elsewhere, European and Asian markets closed mixed. FTSE 100 lost 0.2% d/d after UK Chancellor Jeremy Hunt's closely watched Autumn statement which included tax cuts and updated fiscal estimates. Hunt said that the government will focus on five areas, namely; reducing debt, cutting tax and rewarding hard work, backing British businesses, building domestic and sustainable energy as well as delivering world-class education.
- The yield on the 10Y UST briefly fell to 4.36% before recovering and closing up 1bps to 4.40%. The 2Y yield gained 3bps to 4.90%. 10Y European bond yields closed mixed between -1 to +5bps.
- DXY rebounded and extended its second day of gains, up 0.3% d/d to 103.92 after jobless claims data fell more than expected last week and the University of Michigan's survey showed that consumers' inflation expectations rose again. The index strengthened against all its G10 peers save CAD, and against all regional currencies save the THB and INR.
- Oil prices slid between 0.6-0.9% d/d after OPEC+ meeting delay dimmed hopes for more output cuts. Disputes over the quota for African members prompted the postponement. Meanwhile, EIA also reported that US oil stockpiles rose 8.7m barrels last week.

Elevated inflationary expectations for the US; jobless claims fell more than expected; durable goods orders fell

- Durable goods orders surprised on the downside, declining by 5.4% m/m in October (Sep: +4.0% m/m). The decline was driven by transportation, with Boeing receiving less orders and also because of cars and auto parts. Orders for non-defense capital goods excluding aircraft also fell 0.1% m/m (Sep: -0.2% m/m), suggesting that business investment is slowing as businesses have grown more concerned about the financial markets and economic risks.
- The final University of Michigan Consumer Sentiment index was revised upwards by 0.9ppts to 61.3 in November (Oct: 63.8). This marks the fourth consecutive month of declines and reflects a balance of factors, some of which improved while others worsened. Year-ahead inflation expectations, meanwhile, rose to its highest reading since April at 4.5%, while long-run

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	35,273.03	0.53
S&P 500	4,556.62	0.41
NASDAQ	14,265.86	0.46
Stoxx Eur 600	457.24	0.30
FTSE 100	7,469.51	-0.17
Nikkei 225	33,451.83	0.29
CSI 300	3,544.42	-1.02
Hang Seng	17,734.60	0.00
Straits Times	3,114.92	0.60
KLCI 30	1,455.89	-0.51
FX		
Dollar Index	103.92	0.34
EUR/USD	1.0888	-0.21
GBP/USD	1.2494	-0.36
USD/JPY	149.54	0.77
AUD/USD	0.6543	-0.20
USD/CNH	7.1623	0.27
USD/MYR	4.6770	0.43
USD/SGD	1.3419	0.25
Commodities		
WTI (\$/bbl)	77.10	-0.86
Brent (\$/bbl)	81.96	-0.59
Gold (\$/oz)	1,992.80	-0.44
Copper (\$\$/MT)	8,353.50	-1.13
Aluminum(\$/MT)	2,218.50	-1.77
CPO (RM/tonne)	3,831.50	1.44

Source: Bloomberg, HLBB Global Markets Research
* Dated as of 21 Nov for CPO

inflation expectations accelerated to 3.2%, a reading last seen in 2011. As it is, consumers appear worried that the softening of inflation could reverse.

- Mortgage applications increased for the third week to +3.0% w/w for the week ended November 17 (Nov 10: +2.8% w/w) as the 30Y fixed mortgage rate eased to 7.41%, its lowest rate in two months. Despite the weekly increase, applications remain at very low levels.
- Initial jobless claims fell by the most since June by -24k to 209k for the week ended November 18 (Nov 11: +15K), while continuing claims also fell 22k to 1840k the week before (Nov: 4: +29k). The latter is the first drop in 2 months. All in, while data can be choppy during the holiday season, latest data continued to point to a softening labour market trend.

Eurozone's consumer confidence improved but still below long-term average

- Consumer confidence improved more than expected to -16.9 in November (Oct: -17.8). Nonetheless, a reading at this level is still well below the long term average. ECB Vice President Luis de Guindos, meanwhile, said that expectations of a soft landing may be "wishful thinking."

OBR expects the UK economy to grow by 0.6% in 2023, 0.7% in 2024

- Key economic forecasts by the Office of Budget Responsibility (OBR) in tandem with the Autumn Statement include: 1) Inflation is forecast to average 7.5% over 2023 and then falls more slowly, averaging 2.1% between 2024 and 2028. 2) The OBR is projecting an annual growth forecast of only 0.6% in 2023 and growth to remain subdued at 0.7% in 2024 as a result of weak real wage growth, the effect of past increases in interest rates and fading fiscal support weighing on economic activity. In its central forecast, growth is expected to pick up to 1.4% in 2025 and 2.0% in 2026 and 2027.
- The CBI Trends Total Orders index unexpectedly worsened to -35 in November (Oct: -26) with all sub-indices worsening especially volume of output. The exception was average selling prices.

Australia's PMIs worsened on accelerated fall in new businesses

- The flash Australia Services PMI fell to 46.3 in November (Oct: 47.9), 26-month low, while the Manufacturing PMI weakened to 47.7 (Oct: 48.2), a 42-month low. Central to the latest deteriorations were the sustained falls in new orders and is consistent with signs of a soft landing for the economy.

Malaysia's foreign reserves rose by \$2bn in 1H of November

- Foreign reserves turned around to increase by \$2.0bn to \$110.5bn as at 15 November (2H of Oct: -\$0.4bn). The reserves position is sufficient to finance 5.3 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	102-106	107	107	106	105
EUR/USD	1.06-1.10	1.04	1.04	1.04	1.05
GBP/USD	1.22-1.26	1.20	1.20	1.20	1.21
USD/JPY	149-152	150	147	144	141
AUD/USD	0.63-0.67	0.64	0.65	0.66	0.67
USD/MYR	4.64-4.72	4.74	4.69	4.65	4.60
USD/SGD	1.33-1.36	1.38	1.37	1.35	1.34

Rates, %	Current	4Q-23	1Q-24	2Q-24	3Q-24
Fed	5.25-5.50	5.25-5.50	5.25-5.50	5.25-5.50	5.00-5.25
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	4.35	4.35	4.35	4.35	4.10
BNM	3.00	3.00	3.00	3.00	3.00

Source: HLBB Global Markets Research

Up Next

Date	Events	Prior
23-Nov	SI CPI YoY (Oct)	4.10%
	EC HCOB Eurozone Manufacturing PMI (Nov P)	43.1
	EC HCOB Eurozone Services PMI (Nov P)	47.8
	UK S&P Global/CIPS UK Manufacturing PMI (Nov P)	44.8
	UK S&P Global/CIPS UK Services PMI (Nov P)	49.5
24-Nov	JN Natl CPI YoY (Oct)	3.00%
	UK GfK Consumer Confidence (Nov)	-30
	JN Jibun Bank Japan PMI Mfg (Nov P)	48.7
	JN Jibun Bank Japan PMI Services (Nov P)	51.6
	MA CPI YoY (Oct)	1.90%
	SI Industrial Production SA MoM (Oct)	10.70%
	US S&P Global US Manufacturing PMI (Nov P)	50
	US S&P Global US Services PMI (Nov P)	50.6

Source: Bloomberg

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