

24 August 2023

Global Markets Research

Daily Market Highlights

24 Aug: Bonds rallied on weak PMIs

Weakness in PMI spreading to services; DXY, UST & European yields fell

Wall Street closed higher in anticipation of a positive Nvidia's result

US new home sales rose; mortgage applications fell amidst higher rates and low inventory

- Stocks closed higher on Wednesday as Wall Street awaited the latest quarterly earnings from Nvidia, the bellwether for AI trade. Nasdaq led gains at +1.6% d/d, while the Dow Jones Industrial Average closed 0.5% d/d higher. S&P 500 also gained 1.1% d/d. Investors had plenty of quarterly results to digest, with Foot Locker, Abercrombie & Fitch and Williams-Sonoma reporting mixed earnings. Nvidia, meanwhile, closed the day 3.2% d/d higher and reported a 3Q sales outlook that exceeded analysts' projections by a whopping \$3.5bn. Global stocks also mostly rose, with Stoxx Eur 600 and FTSE 100 gaining 0.4% and 0.7% d/d respectively while Nikkei 225 and Hang Seng rose between 0.3-0.5% d/d.
- US and European bonds rallied after the PMIs showed weaker-than-expected activities. The 2Y UST yield fell 8bps to 4.97%, while the 10Y plunged 13bps to 4.19%. 10Y European bond yields fell between 11-18bps.
- DXY eased 0.1% d/d to 103.42 following the dismal PMI, pulling back from a more than two-month high of 103.98 earlier in the session. EUR closed 0.2% d/d stronger while GBP closed just below the flatline. Regional currencies closed mostly stronger vis-à-vis USD in tune of 0.3%-0.9% d/d save for the MYR which weakened 0.2% d/d to 4.6592.
- Oil prices pared earlier losses after the Energy Information Administration reported that US crude inventories fell 6.1m barrels last week to its lowest this year but were still down between 1.0%-1.8% d/d at close.

PMIs disappointed; weakness spreading to services

- The S&P flash US Manufacturing PMI unexpectedly worsened to 47.0 in August (July: 49.0), signalling a solid deterioration in operating conditions midway through 3Q and the second sharpest since January. Renewed drop in output and steeper decrease in new orders weighed on the overall index. The services sector, meanwhile, saw growth slowing to its weakest since February at 51.0 (Jul: 52.3), suggesting that the services-led growth in the previous quarter has started to fade.
- Eurozone's business activity contracted at an accelerated pace in August as the region's downturn spread further from manufacturing to services, with both sectors reported falling output and new orders. The HCOB Services PMI worsened more than expected into the negative territory at 48.3 (Jul: 50.9), while the Manufacturing PMI unexpectedly improved to 43.7 (Jul: 42.7). The steepest downturn was recorded in Germany, while France reported a third

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	34,472.98	0.54
S&P 500	4,436.01	1.10
NASDAQ	13,721.03	1.59
Stoxx Eur 600	453.45	0.39
FTSE 100	7,320.53	0.68
Nikkei 225	32,010.26	0.48
Hang Seng	17,845.92	0.31
Straits Times	3,174.18	0.45
KLCI 30	1,440.11	-0.79
FX		
Dollar Index	103.42	-0.14
EUR/USD	1.0863	0.16
GBP/USD	1.2727	-0.04
USD/JPY	144.84	-0.72
AUD/USD	0.6480	0.89
USD/CNH	7.2877	-0.26
USD/MYR	4.6592	0.24
USD/SGD	1.3526	-0.38
Commodities		
WTI (\$/bbl)	78.89	-1.82
Brent (\$/bbl)	83.21	-0.98
Gold (\$/oz)	1,918.50	1.17
Copper (\$\$/MT)	8,452.00	1.07
Aluminum(\$/MT)	2,179.50	0.11
CPO (RM/tonne)	3,862.00	-1.14

Source: Bloomberg, HLBB Global Markets Research

* Dated as of 22 Aug for CPO

successive monthly drop in output. The rest of the region suffered moderate declines.

- Lower-than-expected PMIs were recorded in both UK's manufacturing and service sectors for the same month. The services sector turned contractionary at 48.7 (Jul: 51.5), while manufacturers experienced a sharp fall to 42.5 (Jul: 45.3), a 39-month low as sluggish domestic economic conditions and higher borrowing costs led to caution among clients, and thus, new orders.
- The au Jibun Bank Flash Japan Services Business Activity Index rose to a three-month high of 54.3 (Jul: 53.8), driving the overall expansion in the private sector, while manufacturing continued to disappoint. The latter ticked up but is still below the 50-mark at 49.7 (Jul: 49.6), with the rates of reduction in output and new orders less pronounced. Of note, both sectors reported that input prices increased at the fastest pace in four months, while business confidence waned on concerns over longer-term economic conditions.

Mixed bag of US housing data

- Mixed bag of US housing indicators was released as the market continued to grapple with low inventory levels as well as higher mortgage rates and home prices which weighed on affordability.
- Mortgage applications fell 4.2% w/w for the week ending Aug 18 (Aug 11: -0.8% w/w), with the Purchase Index plunging 5.0% w/w (Aug: -0.3% w/w) to its lowest since April 1995. This comes after the mortgage rates scaled to its highest level since December 2000 at 7.31%.
- New home sales, on the other hand, rose faster than expected by 4.4% m/m in August (Jul: -2.8% m/m) to its highest level in a year at 714k. Median sales price was \$436.7k, down 8.7% y/y but up 4.8% m/m and there were 437k homes for sale at the end of the month. This represents 7.3 months of supply at the current sales rate, below the average since 2Q of 2022.

Eurozone's consumer confidence unexpectedly worsened

- Consumer confidence unexpectedly worsened to -16.0 in August (Jul: -15.1), well below its long-term average. Increased consumer pessimism will dampen consumption going forward.

Singapore's headline and core inflation eased to 4.1% and 3.8%

- Both headline and core inflation eased in July, albeit slightly more than expected for the former to +4.1% y/y and +3.8% y/y (June: +4.5% y/y and +4.2% y/y) respectively. The moderation reflects a smaller increase in food prices and a fall in electricity & gas costs for headline and lower private transport cost for core.
- Moving forward, given that global supply chain frictions have largely eased and prices of imported goods have declined y/y due to easing prices in Singapore's major trading partners, headline and core inflation are projected to average 4.5%-5.5% and 3.5%-4.5% respectively for 2023.

House View and Forecasts

FX	This Week	3Q-23	4Q-23	1Q-24	2Q-24
DX	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
24-Aug	HK Exports YoY (Jul)	-11.40%
	UK CBI Total Dist. Reported Sales (Aug)	-17
	US Initial Jobless Claims	239k
	US Chicago Fed Nat Activity Index (Jul)	-0.32
	US Durable Goods Orders (Jul P)	4.60%
	US Cap Goods Orders Nondef Ex Air (Jul P)	0.10%
	US Kansas City Fed Manf. Activity (Aug)	-11
25-Aug	JN Tokyo CPI YoY (Aug)	3.20%
	JN PPI Services YoY (Jul)	1.20%
	MA CPI YoY (Jul)	2.40%
	SI Industrial Production YoY (Jul)	-4.90%
	US U. of Mich. Sentiment (Aug F)	71.2
	US U. of Mich. 1 Yr Inflation (Aug F)	3.30%
	US U. of Mich. 5-10 Yr Inflation (Aug F)	2.90%
25-31 Aug	US Kansas City Fed Services Activity (Aug)	-1
	VN CPI YoY (Aug)	2.06%
	VN Exports YoY (Aug)	-3.50%
	VN Industrial Production YoY (Aug)	3.70%
	VN Retail Sales YoY (Aug)	7.10%

Source: Bloomberg

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