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Global Markets Research

Daily Market Highlights

25 July: Fears of a hawkish Fed sent UST yields higher

Rally in energy stocks sent Wall Street up; oil prices gained on tightened supply

PMIs showed cooling services and still contractionary manufacturing sectors in the majors
Singapore's and Malaysia's CPI tapered off to 4.5% and 2.4% respectively

- The Dow Jones Industrial Average notched its longest winning streak since February 2017, gaining 0.5% d/d, while the S&P 500 and Nasdaq added 0.4% and 0.2% d/d respectively on Monday. Energy stocks led gains, lifted by a better-than-expected profit from Chevron. Energy stocks also led gains in the European markets, sending Stoxx Eur 600 and FTSE 100 higher by 0.1% d/d and 0.2% d/d respectively. Asian markets closed mixed, with Nikkei 225 gaining 1.2% d/d but Hang Seng tumbled 2.1%, dragged mainly by real estate stocks on renewed debt fears for Chinese real estate developers. Notably, Country Garden plunged 8.7% d/d.
- Fears of a more hawkish Fed stance during the FOMC meeting weighed down on Treasuries, sending UST yields closing near the highs for the session led by the front end. Yield for the 2Y surged 8bps to 4.91%, while the 10Y rose 4bps to 3.87%. 10Y European bond yields fell between 1-5bps.
- DXY closed firmly at 101.35, up 0.3% d/d. Amongst the G10 universe, EUR and GBP depreciated by 0.5% and 0.2% d/d respectively, but AUD and JPY strengthened by 0.2% d/d each against USD. In Asia, CNH closed flattish, while MYR and SGD closed mildly weaker by 0.1% d/d each at 4.5665 and 1.3318.
- Oil prices climbed by about 2.2% d/d to a near 3-month high on tightened supply after an outage in Exxon's Baton Rouge refinery.

S&P PMIs showed cooling services sector; manufacturing still contractionary

- The services sector continued to drive growth in the US, although the rate of expansion eased to a 5-month low. The S&P Global Flash US Services PMI fell more than expected to 52.4 in July (June: 54.4) as service providers registered a softer upturn in output. The Manufacturing PMI, on the other hand, unexpectedly rose to 49.0 (June: 46.3), a 3-month high underpinned by a smaller drop in new orders.
- Eurozone's PMIs fell short of consensus, with the Services and Manufacturing PMIs dipping to 51.1 (June: 52.0) and 42.7 (June: 43.4) respectively in July. Manufacturing continued to be the Achilles heel, as producers cut their output at an accelerated pace and to its lowest in 38 months. The services sector's new business and outstanding business PMI indices, meanwhile, dipped into the shrinking territory for the first time in 2023.
- UK's flash PMI showed a deepening downturn in manufacturing and a further cooling in the services sector. Activity growth in the service economy

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	35,411.24	0.52
S&P 500	4,554.64	0.40
NASDAQ	14,058.87	0.19
Stoxx Eur 600	465.68	0.06
FTSE 100	7,678.59	0.19
Nikkei 225	32,700.94	1.23
Hang Seng	18,668.15	-2.13
Straits Times	3,265.14	-0.40
KLCI 30	1,424.69	0.79
FX		
Dollar Index	101.35	0.27
EUR/USD	1.1064	-0.54
GBP/USD	1.2829	-0.19
USD/JPY	141.48	-0.18
AUD/USD	0.6739	0.15
USD/CNH	7.1863	-0.03
USD/MYR	4.5665	0.08
USD/SGD	1.3318	0.08
Commodities		
WTI (\$/bbl)	78.74	2.17
Brent (\$/bbl)	82.74	2.06
Gold (\$/oz)	1,962.20	-0.22
Copper (\$/MT)	8,517.00	0.77
Aluminum(\$/MT)	2,209.00	0.20
CPO (RM/tonne)	3,992.50	0.91

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

moderated for the third month and was much softer than 1H average at 51.5 (June: 53.7), driven by a weaker residential property market as well as amidst cutbacks to discretionary business and consumer spending. The Manufacturing PMI also fell, albeit less than expected to 45.0 (June: 46.5).

- The Jibun Bank Flash Japan Manufacturing PMI fell slightly to 49.4 in July (June: 49.8), with both output and new orders scaling back further during the month. The rate of reduction in incoming business also accelerated to the strongest in 4 months. The Services PMI, meanwhile, eased slightly to 53.9 (June: 54.0), the weakest since January amidst a sharp slowdown in new business growth.

Chicago Fed National Activity Index unexpectedly worsened

- Chicago Fed National Activity Index unexpectedly worsened to -0.32 in June (May: -0.28 in May), pointing to little change in economic growth during the month. Three of the four categories made negative contributions to the index during the month.

Singapore's core and headline moderated to 4.2% and 4.5%

- While core inflation matched consensus to decelerate to +4.2% y/y in June (May: +4.7% y/y), headline moderated less than expected to +4.5% y/y (May: +5.1% y/y). The softer price pressure was predominantly driven by lower inflation for food and services as well as for private transport, the latter due to a steeper drop in petrol prices and a smaller increase in car prices. Services inflation eased on account of slower pace of increase in holiday expenses and air fares.

Malaysia headline CPI expectedly tapered off for a 4th straight month to 2.4% y/y in June

- Malaysia's headline CPI expectedly increased at a slower pace for the 4th straight month, by 2.4% y/y in June, down from +2.8% y/ in May to mark its smallest gain since last April. The continued abatement in CPI remained rather broad-based, reinforcing the case of further softening in inflationary outlook although absolute prices remained sticky. In addition, core CPI and services CPI also eased for the 4th straight month, to 3.1% and 3.2% y/y respectively in June (May: +3.5% and +3.6% y/y), both at its lowest in 12 months. On a month-on-month basis, CPI reported a steady 0.2% m/m increase in June (May: +0.2% m/m).
- Malaysia's foreign reserves edged up slightly by \$0.4bn to \$111.8bn as at 14 July (end June: -\$1.6bn to \$111.4), sufficient to finance 5.1 months of imports and is 1.0 time of the total short-term external debt.

House View and Forecasts

FX	This Week	3Q-23	4Q-23	1Q-24	2Q-24
DX	98-103	102	101	100	99
EUR/USD	1.09-1.13	1.11	1.12	1.14	1.12
GBP/USD	1.26-1.31	1.29	1.31	1.33	1.30
USD/JPY	137-142	141	139	136	133
AUD/USD	0.66-0.70	0.67	0.68	0.68	0.69
USD/MYR	4.48-4.58	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
25-Jul	HK Exports YoY (Jun)	-15.60%
	UK CBI Trends Total Orders (Jul)	-15
	US Philadelphia Fed Non-Manufacturing Activity (Jul)	-16.6
	US FHFA House Price Index MoM (May)	0.70%
	US S&P CoreLogic CS US HPI YoY NSA (May)	-0.24%
	US Conf. Board Consumer Confidence (Jul)	109.7
	US Richmond Fed Manufact. Index (Jul)	-7
	US Richmond Fed Business Conditions (Jul)	-12
25-31 Jul	VN CPI YoY (Jul)	2.00%
	VN Exports YoY (Jul)	-11.40%
	VN Industrial Production YoY (Jul)	2.80%
	VN Retail Sales YoY (Jul)	6.50%
26-Jul	SI Industrial Production SA MoM (Jun)	-3.90%
	JN Leading Index CI (May F)	109.5
	US MBA Mortgage Applications	1.10%
	US New Home Sales MoM (Jun)	12.20%

Source: Bloomberg

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