

25 August 2023

## Global Markets Research

### Daily Market Highlights

# 25 Aug: Wall Street plunged as Nvidia-led rally fizzled

## DXY strengthened ahead of Jackson Hole symposium

## US treasury yields rebounded led by 2Y amid a surprised decline in initial jobless claims

## Tokyo's CPI eased below 3.0% for the first time since September; core held steady

- Wall Street retreated on Thursday after a shortlived tech rally sparked by the blowout Nvidia results. The Dow Jones Industrial Average closed 1.1% lower, the S&P 500 lost 1.4% while the tech-heavy Nasdaq shed 1.9% d/d. Nvidia gained just 0.1% d/d, while shares of Tesla and Amazon dipped between 2.7%-2.9% d/d. Disney also fell 3.9% d/d to its lowest levels since March 2020, weighing on the Dow. Data released over the day was mixed, with durable goods orders declining more than expected but jobless claims also eased.
- After three consecutive positive sessions and a strong open, Stoxx Eur 600 index closed 0.4% d/d lower, but FTSE 100 edged up by 0.2% d/d. Stocks in Asia rose with Hang Seng leading gains at +2.1% d/d, while Nikkei 225 added 0.9% d/d.
- The sell-off in US treasuries took a turn and yields rebounded on Thursday. The 10Y and 30Y yields rose 5bps and 3bps respectively to 4.24% and 4.30%. The 2Y rose 6bps to 5.02%. 10Y European bond yields closed mixed between -4 to +1bps.
- DXY rose 0.5% d/d to 103.98 ahead of the Jackson Hole symposium. European currencies weakened between 0.5%-1.0% d/d after the dismal PMI showings recently, while regional currencies closed mixed. JPY depreciated by 0.7% d/d, while CNH strengthened 0.1% d/d, supported by state-bank buying. MYR also appreciated by 0.3% d/d to 4.6460, but SGD closed 0.3% d/d weaker at 1.3566.
- Oil prices posted modest gains of 0.2% d/d in thin trade, with investors largely cautious ahead of the Fed symposium and the slew of weak PMIs that dampened demand outlook.

### Business equipment orders started 3Q on a weak note; Jobless claims eased; Better-than-expected district activities

- Durable goods orders declined more than expected by 5.2% y/y in July (June: +4.4% y/y), while orders for non-defense capital goods excluding aircraft, posted a modest 0.1% d/d increase (July: downwardly revised -0.4% m/m). The latter was boosted by orders for machinery, electrical equipment and appliances. Orders of non-defense capital goods, which feed into GDP calculation, worsened to -1.1% m/m (June: -0.1% m/m). The consecutive monthly declines in core capital goods suggests that corporates are beginning to taper their spending plans amidst tightened credit standards, higher interest rates, weak exports and concerns over its domestic outlook.

### Key Market Metrics

	Level	d/d (%)
<b>Equities</b>		
Dow Jones	34,099.42	-1.08
S&P 500	4,376.31	-1.35
NASDAQ	13,463.97	-1.87
Stoxx Eur 600	451.57	-0.41
FTSE 100	7,333.63	0.18
Nikkei 225	32,287.21	0.87
Hang Seng	18,212.17	2.05
Straits Times	3,180.72	0.21
KLCI 30	1,444.67	0.32
<b>FX</b>		
Dollar Index	103.98	0.54
EUR/USD	1.0810	-0.49
GBP/USD	1.2602	-0.98
USD/JPY	145.83	0.68
AUD/USD	0.6417	-0.97
USD/CNH	7.2806	-0.10
USD/MYR	4.6460	-0.28
USD/SGD	1.3566	0.30
<b>Commodities</b>		
WTI (\$/bbl)	79.05	0.20
Brent (\$/bbl)	83.36	0.18
Gold (\$/oz)	1,918.20	-0.02
Copper (\$\$/MT)	8,359.50	-1.09
Aluminum(\$/MT)	2,157.50	-1.01
CPO (RM/tonne)	3,808.00	-1.40

Source: Bloomberg, HLBB Global Markets Research  
\* Dated as of 23 Aug for CPO

- Despite a bumpy increase in claims from Hawaii due to the wildfire, initial jobless claims unexpectedly fell for a second straight week by 10k to 230k for the week ended Aug 19 (Aug 12: -10k), Continuing claims, a proxy for hiring, also decreased by 9k to 1.7m for the week ending Aug 12 (Aug: 5: +27k), low by historical standards.
- Led by improvements in production-related indicators, the Chicago Fed National Activity Index (CFNAI) improved more than expected to positive territory at +0.12 in July (June: -0.33) pointing to a pickup in economic growth during the month. The Kansas City Fed Manufacturing Activity Index also improved more than expected to zero for August (Jul: -11) and expectations for future activity rose slightly. Firms also continue to expect input and output price increases in the next six months.

#### **UK's CBI Reported Sales worsened; consumer confidence improved but still negative**

- CBI Total Distributed Reported Sales index worsened to -26 in August (Jul: -17), marking the fourth consecutive month of decline and the fastest pace since Sept 2022. Accordingly, sales at the retail industry are expected to contract again next month, albeit at a slower pace.
- Gfk Consumer Confidence improved more than expected, albeit still in negative territory at -25 in August (Jul: -30). All five main measures showed improvement during the month.

#### **Tokyo's CPI eased below 3% but core unchanged at +4.0%; PPI-Services accelerated more than forecast**

- Tokyo inflation rate eased more than expected to below 3.0% for the first time since September 2022 to +2.9% y/y in August (Jul: +3.2% y/y), but core, stripping fresh food and energy, was unchanged at +4.0% y/y. PPI Services also accelerated more than expected to +1.7% y/y in July (June: upwardly revised +1.4% y/y), suggesting lingering stickiness in its inflation trend.

#### **Hong Kong's exports contracted, albeit at a narrower pace**

- The contraction in exports narrowed, albeit worse than expected at -9.1% y/y (July: -11.4% y/y). Exports to its major markets, China, US and to the EU all shrank, while demand from most other major Asian markets also recorded declines. By product, the contraction was led by electrical machinery, apparatus and appliances, and electrical parts as well as office machines and automatic data processing machines. Looking ahead, the difficult external environment, especially from China, will continue to weigh on Hong Kong's exports performance in the near term.

#### **House View and Forecasts**

<b>FX</b>	<b>This Week</b>	<b>3Q-23</b>	<b>4Q-23</b>	<b>1Q-24</b>	<b>2Q-24</b>
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

<b>Rates, %</b>	<b>Current</b>	<b>3Q-23</b>	<b>4Q-23</b>	<b>1Q-24</b>	<b>2Q-24</b>
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
25-Aug	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%
	US Kansas City Fed Services Activity (Aug)	-1
25-31 Aug	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%
28-Aug	AU Retail Sales MoM (Jul)	-0.80%
	JN Leading Index CI (Jun F)	108.9
	US Dallas Fed Manf. Activity (Aug)	-20
28 Aug-3 Sept	UK Nationwide House Px NSA YoY (Aug)	-3.80%

Source: Bloomberg

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