25 October 2023

Global Markets Research

Daily Market Highlights

25 Oct: US manufacturing PMI turned expansionary

Eurozone and UK PMIs all below 50; Japan composite PMI fell below 50 for the first time in 2023
Strong corporate earnings and steadier 10Y UST yields lifted Wall Street; DXY firmed above 106
Positive sentiment could spill over to Asian markets especially after China's stimulus measure

- US equities turned green on Tuesday on increased risk appetite amidst a relatively more stable 10Y US yields and a busy slate of positive corporate earnings. Boosting confidence were also better-than-expected S&P PMIs in the US as well as ongoing diplomatic measures in the Middle East. Dow Jones gained 0.6% d/d, the S&P 500 added 0.7% d/d and Nasdaq climbed 0.9% d/d. Coca-Cola and Verizon were amongst the corporates who posted strong quarterly earnings during trading hours.

- European markets also snapped a five-session losing streak, with Stoxx Eur 600 and FTSE 100 up 0.4% d/d and 0.2% d/d respectively. Of note, Barclays shares fell 6.5% d/d after the British lender slashed its guidance for UK net interest margins. Asian markets also rebounded, with Nikkei 225 and CSI 300 gaining between 0.2-0.4% d/d, but Hang Seng fell 1.1% d/d. With the positive sentiment overnight coupled with China's stimulus plans, Asian stocks are expected to rise today. According to the Xinhua News Agency, China approved a plan to raise its fiscal deficit to about 3.8% of GDP for 2023 (March target: 3.0%) in order to finance infrastructure investment.

- Treasuries market closed mixed with the front-end underperforming. The 2Y yield rose 6bps to 5.11% d/d, but the 10Y fell 3bps to 4.82%. 10Y European bond yields fell between 1-7bps.

- DXY firmed back up to 106.27 (+0.7% d/d) after the fresh set of PMIs highlighted the strength of the US economy vis-à-vis the UK and Eurozone. EUR and GBP depreciated 0.7%-0.8% d/d as businesses reported another decline in activities this month. Regional currencies closed mostly stronger against USD. The exceptions were CNH, JPY and SGD, which depreciated by 0.1% d/d each. MYR appreciated by 0.2% d/d to 4.7855.

- Oil fell in tune to 2.0%-2.1% d/d as concerns over the Middle East conflict spreading show signs of easing and after Russian oil exports rose to a 4-month high.

Mixed bag of PMI manufacturing and services prints across the majors

- Both the US S&P Manufacturing and Services PMIs unexpectedly improved to 50.0 and 50.9 in October (Sep: 49.8 and 50.1), reaffirming our expectations of a soft landing for the economy. Demand conditions at manufacturers improved for the first time since April, while service providers saw a slower drop in new orders. Inflationary pressures softened.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	33,141.38	0.62
S&P 500	4,247.68	0.73
NASDAQ	13,139.88	0.93
Stoxx Eur 600	435.09	0.44
FTSE 100	7,389.70	0.20
Nikkei 225	31,062.35	0.20
CSI 300	3,487.13	0.37
Hang Seng	16,991.53	-1.05
Straits Times	3,083.88	1.00
KLCI 30	1,435.65	-0.17
FX		
Dollar Index	106.27	0.70
EUR/USD	1.0590	-0.75
GBP/USD	1.2160	-0.73
USD/JPY	149.91	0.13
AUD/USD	0.6355	0.30
USD/CNH	7.3144	0.05
USD/MYR	4.7855	-0.18
USD/SGD	1.3685	0.12
Commodities		
WTI ($/bbl)	83.74	-2.05
Brent ($/bbl)	88.07	-1.96
Gold ($/oz)	1,975.00	-0.07
Copper ($$/MT)	8,051.50	1.00
Aluminum($/MT)	2,191.00	0.69
CPO (RM/tonne)	3,677.50	-0.37

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

- Both the Eurozone's Manufacturing and Services PMIs worsened and came below expectations at 43.0 and 47.8 respectively (Sep: 43.4 and 48.7) and the unrelenting slide in new and outstanding business signals more trouble ahead. In the employment sub-indices, service providers' hiring came almost to a standstill, while manufacturing companies are ramping up job shedding plans.
- UK PMIs were mixed but remained below 50. The Manufacturing index increased more than expected to 45.2 (Sep: 44.3), but Services PMI unexpectedly dipped to 49.2 (Sep: 49.3). The latter is the steepest since January driven by subdued consumer confidence, the impact of elevated borrowing costs and weak client demand across the real estate sector. Of note, growth was mostly centred on the technology services sub-sector. The contraction in the manufacturing sector, meanwhile, is the longest since 2008/09 but the least marked since July. Manufacturers noted that customer destocking, a lack of incoming new work and weaker export sales weighed on the overall index.
- Japan's flash composite PMI registered its first contraction since December 2022 at 49.9 in October (Sep: 52.1). The contraction was primarily attributable to a sharper fall in manufacturing output (Sep & Oct: 48.5), the quickest in eight months, while the services sector grew at the slowest pace YTD at 51.1 (Sep: 53.8). New orders and new export business indices both pointed to contractions, thereby signalling weaker business activity performance ahead. One bright spot was the renewed rise in employment, though driven entirely by the services sector.

Regional Fed indices worsened in October suggesting reduced optimism

- Matching expectations, the Richmond Fed Manufacturing Index edged down slightly to 3 in October (Sep: 5) as the new orders sub-index fell from 3 to −4. Although the headline index was not very high, it was positive for the second month since the spring of 2022. Firms, meanwhile, grew more pessimistic about the services sector, sending the index falling to -15 in October (Sep: -5). Both the revenue and demand indices drove the fall, while expectations indices also decreased notably.
- In Philadelphia, the Fed Non-Manufacturing Activity index also deteriorated for the third month to -20.3 in October (Sep: -16.6) as new orders fell further into negative territory. Despite this, respondents expect growth over the next six months and optimism was more widespread.

UK reported higher claimant count; CBI indices deteriorated for the third month

- CBI trends total orders unexpectedly worsened for the third month to -26 in October (Sep: -18). In tandem with this, business optimism also declined to -15 (Sep: +6) and average selling prices halved to 7. Separately, using additional collection methods, the ONS reported that jobless claims rose by 20.4k in September (Aug: -9.0k) and in tandem with this, claimant count rate rose slightly to 4.0% (Aug: 3.9%).

House View and Forecasts

FX	This Week	4Q-23	1Q-24	2Q-24	3Q-24
DXY	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**
25-Oct	AU CPI YoY (3Q)	6.00%
	JN Leading Index CI (Aug F)	109.5
	US MBA Mortgage Applications	-6.90%
	US New Home Sales MoM (Sep)	-8.70%
25-31 Oct	VN CPI YoY (Oct)	3.66%
	VN Exports YoY (Oct)	4.60%
	VN Industrial Production YoY (Oct)	5.10%
	VN Retail Sales YoY (Oct)	7.50%
26-Oct	JN PPI Services YoY (Sep)	2.10%
	AU Import Price Index QoQ (3Q)	-0.80%
	AU Export Price Index QoQ (3Q)	-8.50%
	SI Industrial Production SA MoM (Sep)	-10.50%
	HK Exports YoY (Sep)	-3.70%
	UK CBI Total Dist. Reported Sales (Oct)	-14
	EC ECB Main Refinancing Rate (46296)	4.50%
	US Wholesale Inventories MoM (Sep P)	-0.10%
	US Advance Goods Trade Balance (Sep)	-$84.3b
	US GDP Annualized QoQ (3Q A)	2.10%
	US Durable Goods Orders (Sep P)	0.10%
	US Cap Goods Orders Nondef Ex Air (Sep P)	0.90%
	US Initial Jobless Claims	198k
	US Pending Home Sales MoM (Sep)	-7.10%
	US Kansas City Fed Manf. Activity (Oct)	-8
26-27 Oct	SI Unemployment rate SA (Sep)	1.90%

Source: Bloomberg

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