

26 July 2023

## Global Markets Research

### Daily Market Highlights

## 26 July: IMF upgraded 2023 world growth forecast

**IMF upgraded 2023 global growth projection to 3.0%; downgraded inflation to 6.8%**

**Hang Seng, CNH, oil prices jumped after China's Politburo pledge to support the economy**

**US consumer confidence rose; home prices gained; regional indicators mixed**

- The Dow Jones Industrial Average rallied for the 12<sup>th</sup> consecutive day, notching its longest winning streak since February 2017. The index edged up 0.1% d/d, while the S&P 500 and Nasdaq added 0.3% and 0.6% d/d respectively. General Electric climbed 6.7% d/d on the back of stronger-than-expected revenue but General Motors shares fell about 3.5% d/d even after the automaker hiked its full-year earnings guidance. After-hours movers include Alphabet which reported 2Q revenue that beat estimates from Google Search, Wells Fargo where the bank's board authorized a new common stock repurchase programme of up to \$30bn, and PacWest Bancorp, which agreed to merge with Bank of California.
- In Europe, Stoxx Eur 600 closed 0.5% higher, a sixth straight positive session, while FTSE 100 gained 0.2% d/d. Earnings on Tuesday came from big names such as LVMH and Unilever. Hang Seng led gains in the Asia region with a 4.1% d/d jump after China's Politburo pledged to adjust and optimize policies for its ailing property sector.
- UST yields edged slightly higher as markets priced in increased risk that the Fed will tighten further post its July FOMC meeting. The 2Y rose 2bps to 4.87%, while the 10Y edged up by 1bps to 3.89%. 10Y European bond yields generally saw a modest 0-4bps increase.
- DXY closed flat at 101.35 as investors await the trio of central bank meetings this week. EUR weakened for the fifth session, sliding 0.1% d/d after data showed a deterioration in Germany's business confidence. GBP and JPY strengthened 0.6% and 0.4% d/d respectively. AUD and CNH jumped between 0.7-0.8% d/d after China's Politburo pledge. MYR and SGD, meanwhile, strengthened at a slower pace of 0.1-0.3% d/d to 4.5633 and 1.3275.
- In the crude oil market, the West Texas Intermediate and Brent gained 1.1% d/d each after China's pledge to shore up its real estate and consumer spending.

### IMF revised 2023 global GDP growth upwards to 3.0%; led by the majors

- Key highlights to the latest IMF's World Economic Outlook include: 1) Global growth is projected to moderate from 3.5% in 2022 to 3.0% in both 2023 and 2024. Growth for 2023 was revised upwards by 0.2ppts, but remains weak by historical standards. 2) Global headline inflation is expected to fall from 8.7% in 2022 to 6.8% in 2023 (-0.2ppts) and 5.2% in 2024 (+0.3ppts). Core inflation is projected to ease more gradually.

### Key Market Metrics

	Level	d/d (%)
<b>Equities</b>		
Dow Jones	35,438.07	0.08
S&P 500	4,567.46	0.28
NASDAQ	14,144.56	0.61
Stoxx Eur 600	467.92	0.48
FTSE 100	7,691.80	0.17
Nikkei 225	32,682.51	-0.06
Hang Seng	19,434.40	4.10
Straits Times	3,286.16	0.64
KLCI 30	1,436.79	0.85
<b>FX</b>		
Dollar Index	101.35	0.00
EUR/USD	1.1055	-0.08
GBP/USD	1.2902	0.57
USD/JPY	140.90	-0.41
AUD/USD	0.6792	0.79
USD/CNH	7.1372	-0.68
USD/MYR	4.5633	-0.07
USD/SGD	1.3275	-0.32
<b>Commodities</b>		
WTI (\$/bbl)	79.63	1.13
Brent (\$/bbl)	83.64	1.09
Gold (\$/oz)	1,963.70	0.08
Copper (\$\$/MT)	8,673.50	1.84
Aluminum (\$/MT)	2,240.00	1.40
CPO (RM/tonne)	3,994.00	0.04

Source: Bloomberg, HLBB Global Markets Research

\* Dated as of 24<sup>th</sup> July for CPO

- US is projected to slow from 2.1% in 2022 to 1.8% in 2023 and 1.0% in 2024. The 2023 forecast has been revised upward by 0.2ppts on account of resilient consumption growth in 1Q.
- Growth in the euro area is projected to fall from 3.5% in 2022 to 0.9% in 2023 before rising to 1.5% in 2024, upwardly revised by 0.1ppts for both years.
- The UK economy is projected to soften from 4.1% in 2022 to 0.4% in 2023, before rising to 1.0% in 2024. The 0.7ppts upward revision in 2023's GDP reflects stronger-than-expected consumption and investment from the confidence effects of falling energy prices, lower post-Brexit uncertainty and a resilient financial sector.
- Growth in Japan is projected to rise from 1.1% in 2022 to 1.4% in 2023, reflecting a modest 0.1ppts upward revision buoyed by pent-up demand and accommodative policies, then slow to 1.0% in 2024.
- The forecast for China is unchanged at 5.2% for 2023 and 4.5% for 2024.

#### **Upbeat US consumer confidence and housing data**

- US consumer confidence rose more than expected in July to its highest level since July 2021 at 117.0 (June: 110.1). This marks the second month of gain reflecting improvements in both current conditions and expectations. The latter improved to 88.3 (June: 80.0), above the 80 level that historically signals a recession within the next year. Despite rising interest rates, consumers are more upbeat, likely reflecting lower inflation and a tight labor market.
- Home prices continued to climb in May as demand and tight inventory continued to push prices higher. The FHFA House Price Index sustained a 0.7% m/m increase (Apr: +0.7% m/m), while the S&P CoreLogic CS US HPI rose 1.2% m/m (Apr: +1.5% m/m) and now stands only 1.0% below its June 2022 peak. The breadth and strength in the latter's data paints an optimistic view for the housing market.
- Regional activities were mixed. The Philadelphia Fed Non-Manufacturing Activity index jumped 18 points to 1.4 in July (June: -16.6), suggesting a mostly steady nonmanufacturing activity in the region. More importantly, expectations for growth over the next six months were more widespread. The Richmond Fed Manufacturing Index, meanwhile, remained sluggish at -9 in July (June: -8), while the district's service sector activity improved slightly to -8 (June: -14).

#### **UK's CBI trends total orders improved**

- CBI trends total orders improved more than expected and for the third month to -9 in July (June: -15) with most sub-indices reporting improvements. Notably, business optimism turned positive while average selling price eased slightly.

#### **Hong Kong's exports continued to register double-digit contraction**

- Hong Kong's exports contracted for the 14-month, albeit softer than expected at -11.4% y/y in June (May: -15.6% y/y). The slump was driven by weak demand in the US, EU as well as from its largest trading partner, Mainland. Office and automatic data processing machines, its major export products, recorded the largest fall at -23.5% y/y. Against a backdrop of slower global economic growth, Hong Kong's export performance will continue to face intense pressure in the near term.

### House View and Forecasts

FX	This Week	3Q-23	4Q-23	1Q-24	2Q-24
DXY	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
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%
27-Jul	US FOMC Rate Decision (Upper Bound)	5.25%
	US FOMC Rate Decision (Lower Bound)	5.00%
	CH Industrial Profits YoY (Jun)	-12.60%
	EC ECB Main Refinancing Rate	4.00%
	US GDP Annualized QoQ (2Q A)	2.00%
	US Durable Goods Orders (Jun P)	1.80%
	US Cap Goods Orders Nondef Ex Air (Jun P)	0.70%
	US Initial Jobless Claims	228k
	US Advance Goods Trade Balance (Jun)	-\$91.1b
	US Wholesale Inventories MoM (Jun P)	0.00%
	US Retail Inventories MoM (Jun)	0.80%
	US Pending Home Sales MoM (Jun)	-2.70%
	US Kansas City Fed Manf. Activity (Jul)	-12
27-28 Jul	SI Unemployment rate SA (Jun)	1.80%

Source: Bloomberg

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