

26 September 2023

Global Markets Research

Daily Market Highlights

26 Sep: Sell off in US and European sovereign bonds

Hawkish for longer stance weighed on the bond markets; DXY closed at the 106-handle
Moody's: Government shutdown could hurt US' credit rating

Prices of crude oil closed mixed as Russia relaxed its ban on fuel exports

- Wall Street kicked off the final week of Sept in the green, with the S&P 500 gaining 0.4% d/d, while Nasdaq and Dow Jones added 0.5% d/d and 0.1% d/d respectively. All three major averages snapped 4-day losing streaks with energy stocks leading gains followed by consumer staples. Shares of Netflix advanced 1.3% d/d after Hollywood writers, studios and streamers reached a tentative agreement to end strike but Warner Bros and Walt Disney fell.
- European bourses, on the other hand, underperformed amidst growth concerns. Stoxx 600 Eur index ended down 0.6% d/d, with travel and leisure stocks leading losses, while FTSE 100 slid 0.8% d/d. Asian markets closed mixed, with Nikkei 225 up 0.9% d/d, but CSI 300 and Hang Seng fell 0.7% d/d and 1.8% d/d respectively. Shares of Evergrande plunged 21.8% d/d as the property company missed payments on its onshore bond.
- The US and European sovereign bonds continued to see selloffs amidst the hawkish for longer stance from the FOMC and most major central banks. The 2 and 10Y UST yields rose 2 and 10bps to 5.13% and 4.53%. 10Y European bond yields also increased between 2-8bps.
- DXY rose to as high as 106.10 before retreating to 106.00 at close (+0.4% d/d). EUR and GBP depreciated between 0.2%-0.6% d/d, while Asian currencies closed mixed. JPY, CNH and SGD weakened in tune of 0.1%-0.3% d/d each, but MYR strengthened slightly by 0.1% d/d to 4.6865.
- Oil prices settled mixed in choppy trade after Russia relaxed its fuel ban to exclude bunker fuel, gasoil and some middle distillates. Brent closed just above the flatline at \$93.29/barrel, while the West Texas Intermediate fell 0.4% d/d to \$89.68/ barrel.

Negative regional Fed district performances

- The Dallas Fed Manufacturing Activity index unexpectedly worsened to -18.1 in Sep (Aug: -17.2), with the outlook uncertainty sub-index picking up notably to 27.0, its highest reading in nearly a year. Expectations regarding future manufacturing activity were mixed, with most other sub-indices moving into slightly more positive territory save the future general business activity sub-index (-16.5 vs Aug: -3.3). The Chicago Fed National Activity Index also worsened more than expected to -0.16 in Aug (Jul: +0.07), with all four categories making negative contributions.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	34,006.88	0.13
S&P 500	4,337.44	0.40
NASDAQ	13,271.32	0.45
Stoxx Eur 600	450.44	-0.62
FTSE 100	7,623.99	-0.78
Nikkei 225	32,678.62	0.85
CSI 300	3,714.60	-0.65
Hang Seng	17,729.29	-1.82
Straits Times	3,215.40	0.33
KLCI 30	1,443.45	-0.47
FX		
Dollar Index	106.00	0.39
EUR/USD	1.0593	-0.56
GBP/USD	1.2211	-0.25
USD/JPY	148.88	0.34
AUD/USD	0.6424	-0.26
USD/CNH	7.3157	0.23
USD/MYR	4.6865	-0.06
USD/SGD	1.3663	0.08
Commodities		
WTI (\$/bbl)	89.68	-0.39
Brent (\$/bbl)	93.29	0.02
Gold (\$/oz)	1,918.20	-0.47
Copper (\$\$/MT)	8,145.50	-0.93
Aluminum(\$/MT)	2,233.50	-0.31
CPO (RM/tonne)	3,644.50	0.19

Source: Bloomberg, HLBB Global Markets Research

* Dated as of 22nd Sept for CPO

German IFO sentiment worsened

- Germany's IFO Business Climate index fell for the fifth month, albeit less than expected to 85.7 in Sep (Aug: 85.8), Sentiment among German managers darkened further in services and construction, while it rose in manufacturing and trade. According to IFO president, the German economy is treading water but added that consumer demand is expected to stabilise in coming months.

UK's CBI survey improved

- CBI Total distribution reported sales improved to -14 in Sep (Aug: -26), led by retailing and motor trade.

Japan's Services PPI picked up for the second month

- Services producer prices (PPI) accelerated for the second month and more than expected by +2.1% y/y in Aug (Jul: +1.7% y/y). The uptick was largely contributed by other services like hotels, machinery repair and maintenance and laundry services, followed by information and communication as well as leasing and rental.

More subdued Singapore headline and core inflation at 4.0% and 3.4%

- Matching consensus, headline CPI moderated to 4.0% y/y in Aug (Jul: 4.1% y/y), but core eased more than expected to 3.4% y/y (Jul: 3.8% y/y). The deceleration was due to moderated housing rents and core prices, namely services, food and retail & other goods.
- Moving forward, MAS expects headline and core inflation to be milder at 4.5%–5.5% and 3.5%–4.5% respectively for the whole of 2023, reflecting impact from easing global supply chain frictions, more subdued imported inflation as well as slower increase in labour costs.

House View and Forecasts

FX	This Week	3Q-23	4Q-23	1Q-24	2Q-24
DXY	103-107	102	101	100	99
EUR/USD	1.05-1.08	1.11	1.12	1.14	1.12
GBP/USD	1.21-1.25	1.29	1.31	1.33	1.30
USD/JPY	144-149	141	139	136	133
AUD/USD	0.63-0.66	0.67	0.68	0.68	0.69
USD/MYR	4.62-4.72	4.69	4.64	4.60	4.55
USD/SGD	1.35-1.38	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	5.50-5.75	5.50-5.75	5.50-5.75
ECB	4.50	4.50	4.50	4.50	4.50
BOE	5.25	5.25	5.25	5.25	5.25
BOJ	-0.10	-0.10	-0.10	-0.10	-0.10
RBA	4.10	4.10	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-Sep	SI Industrial Production YoY (Aug)	-0.90%
	HK Exports YoY (Aug)	-9.10%
	US Philadelphia Fed Non-Manufacturing Activity (Sep)	-13.1
	US FHFA House Price Index MoM (Jul)	0.30%
	US S&P CoreLogic CS US HPI YoY NSA (Jul)	-0.02%
	US New Home Sales MoM (Aug)	4.40%
	US Conf. Board Consumer Confidence (Sep)	106.1
	US Richmond Fed Manufact. Index (Sep)	-7

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27-Sep	US Richmond Fed Business Conditions (Sep)	1
	US Dallas Fed Services Activity (Sep)	-2.7
	AU CPI YoY (Aug)	4.90%
	CH Industrial Profits YoY (Aug)	-6.70%
	JN Leading Index CI (Jul F)	107.6
	US MBA Mortgage Application	5.40\$
	US Durable Goods Orders (Aug P)	-5.20%
	US Cap Goods Orders Nondef Ex Air (Aug P)	0.10%

Source: Bloomberg

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