

27 November 2023

## Global Markets Research

### Daily Market Highlights

## 27 Nov: Tame markets post-Thanksgiving holiday

**Nothing to shift narrative; DXY fell, UST yields rose, US equity markets closed mixed**  
**S&P Services PMIs improved for the US & Japan, worsened for the manufacturing sector**  
**Japan's PPI-Services accelerated; Malaysia's CPI eased; Singapore's IPI expanded y/y**

- Trading was quiet in the US equity markets on Friday with nothing to shift the narrative. Dow Jones and S&P 500 closed in green between 0.1-0.3% d/d, while Nasdaq was the outlier, edging down slightly by 0.1% d/d. Healthcare was the S&P 500 top performing sector, while communication services fell. European stocks also closed mostly in green, with major retail shares rising slightly as Black Friday kicked off the holiday shopping season. Asian markets closed mixed, with Nikkei 225 climbing to its highest level since July.
- UST yields rose in tune to 5-6bps across the curve, closing at 4.95% for the 2Y and 4.47% for the 10Y. 10Y European bond yields increased up to 3bps.
- DXY continued to slide 0.5% d/d to 103.40 as traders bet rates have peaked. European currencies strengthened for the second day in tune to 0.3-0.6% d/d after their PMIs topped expectations, while Asian currencies closed mixed. The JPY strengthened 0.1% d/d after Japan's core consumer price growth picked up slightly in October. Similarly, SGD and CNH appreciated slightly by less than 0.1% d/d each, but MYR weakened 0.2% d/d to 4.6877.
- Oil fell another day between 1.0-2.0% d/d as OPEC+s seeks to resolve the pre-meeting output dispute.

#### Expansionary S&P Services PMIs for US and Japan, contractionary for the manufacturing sector

- The S&P Global US Manufacturing PMI worsened more than expected to 49.4 in November (Oct: 50.0), while the services sector unexpectedly accelerated to 50.8 (Oct: 50.6). Of note, private sector employment fell for the first time since June 2020 amidst muted demand, but on a positive note, input price inflation softened again, with cost burdens rising at the slowest rate in over three years.
- Jibun Bank Japan Manufacturing PMI worsened to 48.1 in November (Oct: 48.7) but the services sector improved to 51.7 (Oct: 51.6). The latest reading marked the end of a 10<sup>th</sup> consecutive month of rising activity overall. New work at manufacturing firms fell at a solid and stronger rate, though service providers noted a slightly quicker uptick in incoming business. November data also brought with it a further softening in price pressures.

#### Japan's PPI-Services unexpectedly accelerated

- Data this morning showed that PPI Services unexpectedly accelerated to +2.3% y/y in October (Sep: +2.0% y/y), its highest since Jan 2020. Major sectors contributing to the change includes information & communications, leasing & rental, transportation & postal activities, as well as advertising.

#### Key Market Metrics

	Level	d/d (%)
<b>Equities</b>		
Dow Jones	35,390.15	0.33
S&P 500	4,559.34	0.06
NASDAQ	14,250.85	-0.11
Stoxx Eur 600	459.98	0.33
FTSE 100	7,488.20	0.06
Nikkei 225	33,625.53	0.52
CSI 300	3,538.01	-0.66
Hang Seng	17,559.42	-1.96
Straits Times	3,094.81	-0.54
KLCI 30	1,453.92	0.04
<b>FX</b>		
Dollar Index	103.40	-0.50
EUR/USD	1.0939	0.31
GBP/USD	1.2603	0.55
USD/JPY	149.44	-0.08
AUD/USD	0.6585	0.41
USD/CNH	7.1493	-0.04
USD/MYR	4.6877	0.16
USD/SGD	1.3401	-0.05
<b>Commodities</b>		
WTI (\$/bbl)	75.54	-2.02
Brent (\$/bbl)	80.58	-1.03
Gold (\$/oz)	2,003.00	0.51
Copper (\$\$/MT)	8,428.50	0.23
Aluminum(\$/MT)	2,216.00	-0.38
CPO (RM/tonne)	3,826.50	-0.40

Source: Bloomberg, HLBB Global Markets Research

\* Dated as of 23 Nov for CPO

### Singapore registered its first y/y growth in industrial output in 13-months

- Industrial output registered its first y/y growth in 13 months, improving more than expected to +7.4% y/y in October (Sep: -1.1% y/y) while on a m/m basis, growth was milder at +9.8% (Sep: +13.1% m/m). The y/y turnaround was driven by a rebound in biomedical, while electronics output recorded stronger growth. The contraction for chemicals and precision engineering also narrowed.

### Further softening in Malaysia's inflation

- Malaysia's headline CPI further eased to +1.8% y/y in October (Sept: +1.9% y/y), a tad below ours as well as consensus estimates of +1.9%, and marked its smallest gain in 31 months. Seven out of twelve main groups saw steady to lower inflation. Other underlying details also pointed to continued softening in inflation outlook. Core CPI slipped to 2.4% y/y after holding steady at +2.5% y/y in the preceding two months while services CPI moderated for the 8th straight month to 2.4% y/y in October (Sept: +2.6%), both at its lowest since May-22. On a m/m basis, CPI sustained a muted increase of a mere 0.1% m/m.
- We expect inflation outlook to remain moderate in the absence of any significant supply and demand shocks. Ongoing conflict between Israel and Hamas appeared to be well-contained and have had little impact on oil and other commodity prices thus far. The removal of price ceiling for chicken effective 1-November is also not expected to have any significant impact on inflation as it was close to market price. In any case, the weightage of chicken in the CPI basket is relatively small estimated at around 1.5%. We therefore expect CPI readings to remain sub-2.0% in the next few months, until and unless other subsidy rationalization kicks in. We foresee a likelihood of further measures being rolled out in early 2024 given the "natural hedge" from the favourable base effect which would help limit the impact on overall CPI readings statistically. We are penciling in a 2.2% increase in CPI in 2024, at the lower end of the official forecast range of 2.1-3.6%, barring excessive policy price adjustment including that of RON95. Impact from the 2.0ppt increase in SST as well as imported inflation are also expected to be well-contained.

### House View and Forecasts

FX	This Week	4Q-23	1Q-24	2Q-24	3Q-24
DXY	102-105	107	107	106	105
EUR/USD	1.07-1.11	1.04	1.04	1.04	1.05
GBP/USD	1.23-1.27	1.20	1.20	1.20	1.21
USD/JPY	147-151	150	147	144	141
AUD/USD	0.64-0.68	0.64	0.65	0.66	0.67
USD/MYR	4.64-4.70	4.74	4.69	4.65	4.60
USD/SGD	1.32-1.35	1.38	1.37	1.35	1.34

Rates, %	Current	4Q-23	1Q-24	2Q-24	3Q-24
Fed	5.25-5.50	5.25-5.50	5.25-5.50	5.25-5.50	5.00-5.25
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	4.35	4.35	4.35	4.35	4.10
BNM	3.00	3.00	3.00	3.00	3.00

Source: HLBB Global Markets Research

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Date	Events	Prior
27-Nov	CH Industrial Profits YoY (Oct)	11.90%
	CH Industrial Profits YTD YoY (Oct)	-9.00%
	HK Exports YoY (Oct)	-5.30%
	UK CBI Total Dist. Reported Sales (Nov)	-21
	US New Home Sales MoM (Oct)	12.30%
28-Nov	US Dallas Fed Manf. Activity (Nov)	-19.2
	AU Retail Sales MoM (Oct)	0.90%
	US FHFA House Price Index MoM (Sep)	0.60%
	US S&P CoreLogic CS US HPI YoY NSA (Sep)	2.57%
	US Conf. Board Consumer Confidence (Nov)	102.6
	US Richmond Fed Manufact. Index (Nov)	3
	US Richmond Fed Business Conditions (Nov)	-15
	US Dallas Fed Services Activity (Nov)	-18.2
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Dec	UK Nationwide House PX MoM (Nov)	0.90%

Source: Bloomberg

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