29 September 2023

Global Markets Research

Daily Market Highlights

29 Sep: Retreat in Treasury yields sent equities higher

DXY consolidated; growing chatters on possibility of BOJ intervention

US 2Q GDP unchanged at +2.1%; downgrade in consumer spending growth

Oil prices stayed high as US inventory fell close to the operational minimum

- US equities rose on Thursday, with the Dow climbing 0.4% d/d, the S&P 500 adding 0.6% d/d and Nasdaq jumping 0.8% d/d after Treasury yields eased from their multiyear highs. The communication services sector led gains, boosted by a 2.1% d/d gain in Meta Platforms. Intel and Cisco Systems also rose 1.7% d/d and 1.3% d/d respectively. Wall Street is keeping an eye on Washington, with House Speaker Kevin McCarthy saying that he will seek to avert a government shutdown this weekend.

- Mining and banking stocks drove Stoxx Eur 600, sending the index up 0.4% d/d, while FTSE 100 edged higher by 0.1% d/d. Major Asian markets closed lower, led by Nikkei 225 at -1.5% d/d. Hang Seng index slid 1.4% d/d after the exchange announced that shares of embattled Chinese real estate firm Evergrande have been suspended. CSI 300 fell 0.3% d/d.

- The Treasury curve shifted lower, with the benchmark 10Y down 3bps to 4.58% and the 2Y sliding 8bps to 5.06%. In contrast, 10Y European bond yields surged between 8-13bps.

- DXY eased from its 10-month high, sliding 0.4% d/d to 106.22. European currencies strengthened to a tune of 0.6% d/d, while Asian currencies closed mixed. JPY, CNH and SGD appreciated between 0.2%-0.5% d/d, while MYR closed 0.4% d/d weaker at 4.7087 on Wednesday. The Malaysia market is closed for a public holiday on Thursday.

- Oil prices retreated in tune to 1.2%-2.1% d/d after reaching their highest level in more than a year. Prices had earlier surged after crude stocks at Cushing, Oklahoma fell to its lowest since July 2022, hovering close to the operational minimum.

US 2Q GDP left unchanged at +2.1% q/q; downgrade in consumer spending growth offset by upgrades in other components

- The final 2Q GDP was left unchanged at +2.1% q/q (1Q: +2.2% q/q). Notable changes from the latest update include a 0.9ppt downward revision to consumer spending (2Q: +0.8% q/q vs 1Q: +3.8% q/q) that was partly offset by upward revisions to non-residential fixed investment, exports, and inventory investment. Imports, which are a subtraction in the calculation of GDP, were revised down.
- Core capital goods, a proxy for investment excluding aircraft and military hardware, rebounded more than expected by +0.9% m/m in Aug after a downwardly revised 0.4% m/m decline the prior month. Bookings for all

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	33,666.34	0.35
S&P 500	4,299.70	0.59
NASDAQ	13,201.28	0.83
Stoxx Eur 600	448.50	0.36
FTSE 100	7,601.85	0.11
Nikkei 225	31,872.52	-1.54
CSI 300	3,689.52	-0.30
Hang Seng	17,373.03	-1.36
Straits Times	3,206.99	0.22
KLCI 30	1,440.11	-0.38
FX		
Dollar Index	106.22	-0.41
EUR/USD	1.0566	0.60
GBP/USD	1.2203	0.56
USD/JPY	149.31	-0.21
AUD/USD	0.6427	1.16
USD/CNH	7.2948	-0.40
USD/MYR	4.7087	0.38
USD/SGD	1.3658	-0.50
Commodities		
WTI ($/bbl)	91.71	-2.10
Brent ($/bbl)	95.38	-1.21
Gold ($/oz)	1,860.40	-0.64
Copper ($$/MT)	8,217.50	1.28
Aluminum($/MT)	2,277.50	1.76
CPO (RM/tonne)	3,643.50	-0.91

Source: Bloomberg, HLBB Global Markets Research
** Dated as of 26 Sep for CPO, 27 Sep for KLCI, USD/MYR*

durable goods, also climbed 0.2% m/m (July: Downwardly revised -5.6% m/m). The increase in orders was led by computers, electrical equipment and machinery, further boosted by demand for military aircraft. As it is, the pace of investment has slowed reflecting impact from higher interest rates, but this latest data suggests that the economy is on track for a soft landing.

- Kansas City Fed Manufacturing index fell more than expected to -8 in Sep (Aug: 0 and July: -11) and expectations for future activity stayed mostly flat. Most m/m indices were negative and decreased from previous readings, and were primarily driven by durable goods, particularly metal manufacturing.
- In the housing market, mortgage rates scaled to their highest levels in over 20 years (30Y fixed mortgage rate at 7.41%), sending mortgage applications ticking down by 1.3% w/w for the week ending Sep 22 (Sep 15: +5.4% w/w). Pending home sales also slid more than expected by 7.1% m/m in Aug (Jul: +0.5% m/m) to its lowest level since 2020.
- Initial jobless claims rose less than expected by 2k to 204 k for the week ended Sep 23 (Sep 16: -19k), while continuing claims increased 12k to 1670k (Sep 9: -25k). The increase in claims partially reflected impact from the United Auto Workers union strike and may accelerate in subsequent weeks after the union expanded to more locations and potentially, from a US government shutdown.

Eurozone's economic confidence slipped slightly on consumer

- Economic confidence dipped slightly to 83.3 in September (Aug: 93.6), mostly driven by a markedly lower consumer confidence (-17.8 vs. Aug: -16.9). While confidence among builders and to a lesser extent, retailers also slipped, it remained broadly stable in services and industry indices.

China's industrial profit rebounded in August; YTD still contractionary

- Industrial profits gained 17.2% y/y in Aug (Jul: -6.7% y/y), but YTD profits remained contractionary at -11.7% y/y. YTD data shows that both mining and manufacturing registered double-digit contraction, while power supply registered a strong growth. Of note however, the non-ferrous metal, food, general purpose equipment, motor vehicles, electrical equipment and machinery clusters registered positive growths YTD within the manufacturing and mining sectors.

Mixed data from Japan

- Tokyo inflation rate eased less than expected to +2.8% y/y in Sep (Aug: +2.9% y/y), while its core, excluding fresh food and energy moderated to +3.8% y/y (Aug: +4.0% y/y). Price pressures across most sub-indices softened, save for housing costs which accelerated slightly to +0.5% y/y (Aug: +0.4% y/y).
- Data this morning also showed that Japan's jobless rate unexpectedly held steady at 2.7% in Aug, while retail sales slowed more than expected to +0.1% m/m (Jul: +2.2% m/m) on slower sales across board with the exception of food and beverages. In the manufacturing sector, IPI growth improved more than expected to show a stagnant growth (Jul: -1.8% m/m). By end use, all industries improved but remained in contractionary save for non-durable goods (+2.0% m/m vs Jul: +0.7% m/m).

Australia's inflation accelerated for the first time in 4 months, retail sales slowed, job vacancies fell

- Matching expectations, the inflation rate accelerated for the first time in four months to 5.2% y/y in Aug (Jul: +4.9% y/y). Stripping the volatile items, core, nonetheless, eased to +5.5% y/y (Jul: 5.8% y/y). The most significant increase in prices were housing, followed by transport, food and beverages as well as insurance and financial services.

- The contraction in job vacancies worsened to -8.9% q/q for the quarter ended Aug (May: -2.5% q/q). Despite this being the fifth consecutive quarterly decrease, the level of job vacancies remained elevated, 71.5% higher than they were in February 2020. The ongoing high level of vacancies reflected the continuing labour shortages in many industries.
- Retail sales slowed more than expected to +0.2% m/m in Aug (Jul: +0.5% m/m) as consumers pulled back spending in response to cost-of-living pressures. Of note, warmer than usual weather and additional promotional activity linked to Afterpay Day partially lifted spending on discretionary goods, especially clothing, footwear and personal accessories, and stripping this, suggests a more modest spending than the headline data and thus, supports consensus view that the RBA will most probably leave its cash rate unchanged at 4.10% next week.

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
29-Sep	AU Private Sector Credit MoM (Aug)	0.30%
	CH Caixin China PMI Mfg (Sep)	51
	CH Caixin China PMI Services (Sep)	51.8
	JN Consumer Confidence Index (Sep)	36.2
	JN Housing Starts YoY (Aug)	-6.70%
	UK GDP QoQ (2Q F)	0.20%
	HK Retail Sales Value YoY (Aug)	16.50%
	UK Net Consumer Credit (Aug)	1.2b
	UK Mortgage Approvals (Aug)	49.4k
	EC CPI Estimate YoY (Sep)	5.20%
	US Advance Goods Trade Balance (Aug)	-$91.2b
	US Wholesale Inventories MoM (Aug P)	-0.20%
	US Retail Inventories MoM (Aug)	0.30%
	US Personal Income (Aug)	0.20%
	US Personal Spending (Aug)	0.80%
	US PCE Deflator YoY (Aug)	3.30%
	US MNI Chicago PMI (Sep)	48.7
	US U. of Mich. Sentiment (Sep F)	67.7
	US Kansas City Fed Services Activity (Sep)	-1
30-Sep	CH Manufacturing PMI (Sep)	49.7
	CH Non-manufacturing PMI (Sep)	51
2-Oct	AU Judo Bank Australia PMI Mfg (Sep F)	48.2

JN Tankan Large Mfg Index (3Q)	5
AU Melbourne Institute Inflation YoY (Sep)	6.10%
JN Jibun Bank Japan PMI Mfg (Sep F)	48.6
MA S&P Global Malaysia PMI Mfg (Sep)	47.8
VN S&P Global Vietnam PMI Mfg (Sep)	50.5
UK Nationwide House PX MoM (Sep)	-0.80%
EC HCOB Eurozone Manufacturing PMI (Sep F)	43.4
UK S&P Global/CIPS UK Manufacturing PMI (Sep F)	44.2
EC Unemployment Rate (Aug)	6.40%
AU CoreLogic House Px MoM (Sep)	1.00%
US S&P Global US Manufacturing PMI (Sep F)	48.9
US Construction Spending MoM (Aug)	0.70%
US ISM Manufacturing (Sep)	47.6

Source: Bloomberg

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