

30 August 2023

Global Markets Research

Daily Market Highlights

30 Aug: Weaker consumer confidence and labour data

Reduced Fed rate hike bets spurred rally in equities and bonds; USD weakened

US JOLTS job openings lowest since 2021; consumers turned more pessimistic

Oil prices rallied on demand hope and potential supply disruptions from Hurricane Idalia

- Weaker than expected consumer confidence and JOLTS job openings data pared down Fed rate hike risks, supporting Wall Street and Treasuries overnight but weighed down on the Dollar. Nasdaq led gains at +1.7% d/d, the S&P 500 climbed 1.5% d/d, while Dow Jones Industrial Average added 0.9% d/d. Growth was broad-based led by growth-oriented sectors like communication services, consumer discretionary and information technology. Also helping risk-taking was a court decision that could pave the way for a bitcoin ETF, which underpinned a nearly 15% climb in crypto exchange Coinbase.
- In Europe, Stoxx Eur 600 index ended 1.0% d/d higher, while FTSE 100 rallied 1.7% d/d. Shares in Asia rose, building on the positive Monday session, as Hong Kong and Mainland stocks led gains on the back of China stimulus-related boost. Hang Seng index climbed about 2.0% d/d, while CSI 300 advanced 1.0% d/d. Nikkei 225 edged up by 0.2% d/d.
- Investors turned towards safety of bonds post the confidence and labour data, sending UST yields lower, with the 2Y plummeting 11bps to 4.89% and the 10Y down 8bps to 4.12%. 10Y European bond yields fell between 2-7bps.
- DXY slumped 0.5% d/d to 103.53, breaking its 2 straight days of above the 104-handle on a less hawkish Fed rate expectation. European currencies strengthened between 0.3%-0.6% d/d vis-à-vis USD, while regional currencies appreciated in tune of 0.2%-0.5% d/d each, with MYR and SGD closing at 4.6460 and 1.3496 respectively.
- Oil prices rallied around 1.3% d/d on a risk-on mood after China's stimulus measures as well as on a weaker USD. Investors will also be watching out for the potential disruption in supply from Hurricane Idalia.

US consumer confidence, job openings declined; Growth in house prices slowed in June

- The Conference Board Consumer Confidence Index declined more than expected to 106.1 in August (Jul: downwardly revised 114.0). More importantly, the Expectations Index declined to 80.2, reversing July's sharp uptick to 88.0. Expectations were a hair above 80, historically signalling a recession within the next year. Notably, expectations for interest rates jumped, while the outlook for stock prices and average 12-month inflation expectations ticked up.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	34,852.67	0.85
S&P 500	4,497.63	1.45
NASDAQ	13,943.76	1.74
Stoxx Eur 600	459.83	0.97
FTSE 100	7,464.99	1.72
Nikkei 225	32,226.97	0.18
Hang Seng	18,484.03	1.95
Straits Times	3,223.09	0.29
KLCI 30	1,454.44	0.72
FX		
Dollar Index	103.53	-0.51
EUR/USD	1.0880	0.56
GBP/USD	1.2644	0.33
USD/JPY	145.88	-0.45
AUD/USD	0.6481	0.81
USD/CNH	7.2840	-0.13
USD/MYR	4.6460	-0.19
USD/SGD	1.3496	-0.47
Commodities		
WTI (\$/bbl)	81.16	1.32
Brent (\$/bbl)	85.49	1.27
Gold (\$/oz)	1,936.50	0.97
Copper (\$\$/MT)	8,448.50	1.11
Aluminum(\$/MT)	2,168.50	0.84
CPO (RM/tonne)	3,823.50	0.50

Source: Bloomberg, HLBB Global Markets Research
* Dated as of 28 Aug for CPO

- JOLTS Job Openings fell more than expected to its lowest since early 2021 at 8.8m in July (June: 9.2m). This marks the 6th decline in the past 7 months, signalling that labour demand is cooling with fewer job openings recorded in professional and business services, health care and government. Quit rate also fell to 2.3% (June: 2.4%), suggesting that employees are less confident to find another job.
- FHFA House Price Index (HPI) appreciated at a slightly higher rate of 1.7% q/q in 2Q (1Q: +0.8% q/q) amid low inventory. Of note however, both the FHFA and S&P CoreLogic CS HPI for June continued to increase, albeit at a slower pace of +0.3% m/m and +0.9% m/m respectively (May: +0.7% m/m and +1.3% m/m). For the latter, it is now only -0.02% below its all-time peak from exactly one year ago.
- The Dallas Fed Services Activity Index improved but remained negative at -2.7 in August (July: -4.2). Labor market indicators signal steady growth in employment and workweeks, while price and wage pressures increased. Perceptions of broader business conditions worsened slightly.

Vietnam's exports contracted for the 6th month; growth in IPI slowed; retail sales and inflation accelerated

- Vietnam's exports fell for the sixth straight month, by -7.6% y/y in August (July: -3.5% y/y), the longest period of contraction since 2009 albeit less than expected. In tandem with this, IPI slowed to +2.6% y/y (July: +3.7% y/y), dragged by declines in mining and quarrying, but retail sales accelerated to +7.6% y/y (July: +7.1% y/y) on the back of double-digit growth in tourism-related activities.
- Inflation, meanwhile, grew at its fastest pace in 5 months at +3.0% y/y (July: +2.1% y/y), mainly driven by higher commodity prices for petrol and rice as well as rental housing. In our view, the government's target to push economic growth to about 9% in 2H to meet the full year target of 6.5% y/y appears to be far-fetched at this juncture.

House View and Forecasts

FX	This Week	3Q-23	4Q-23	1Q-24	2Q-24
DX	101-106	102	101	100	99
EUR/USD	1.06-1.10	1.11	1.12	1.14	1.12
GBP/USD	1.24-1.29	1.29	1.31	1.33	1.30
USD/JPY	142-148	141	139	136	133
AUD/USD	0.63-0.66	0.67	0.68	0.68	0.69
USD/MYR	4.58-4.68	4.69	4.64	4.60	4.55
USD/SGD	1.34-1.37	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	5.25-5.50	5.00-5.25	4.50-4.75
ECB	4.25	4.25	4.25	4.25	4.00
BOE	5.25	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
30-Aug	AU Building Approvals MoM (Jul)	-7.70%
	AU CPI YoY (Jul)	5.40%
	JN Consumer Confidence Index (Aug)	37.1
	UK Mortgage Approvals (Jul)	54.7k
	EC Economic Confidence (Aug)	94.5

31-Aug	US MBA Mortgage Applications	-4.20%
	US ADP Employment Change (Aug)	324k
	US Advance Goods Trade Balance (Jul)	-\$87.8b
	US GDP Annualized QoQ (2Q S)	2.40%
	US Pending Home Sales MoM (Jul)	0.30%
	JN Retail Sales MoM (Jul)	-0.40%
	JN Industrial Production MoM (Jul P)	2.40%
	CH Manufacturing PMI (Aug)	49.3
	CH Non-manufacturing PMI (Aug)	51.5
	JN Housing Starts YoY (Jul)	-4.80%
	HK Retail Sales Value YoY (Jul)	19.60%
	EC CPI Estimate YoY (Aug)	5.30%
	EC Unemployment Rate (Jul)	6.40%
	US Challenger Job Cuts YoY (Aug)	-8.20%
	US Initial Jobless Claims	230k
	US Personal Income (Jul)	0.30%
	US Personal Spending (Jul)	0.50%
	US PCE Core Deflator YoY (Jul)	4.10%
	US MNI Chicago PMI (Aug)	42.8

Source: Bloomberg

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