

30 October 2023

Global Markets Research

Daily Market Highlights

30 Oct: Treasuries rallied after softer core-PCE prices

DXY closed lower ahead of the FOMC meeting; commodities gained on Middle East tension
US personal spending picked up; core PCE prices moderated y/y but accelerated m/m on services
US consumer sentiment hit by inflation concerns; 1Y inflation expectation highest since May

- Wall Street ended the week on a mixed and choppy note. In the equities markets, the Dow Jones Industrial Average fell 1.1%, while S&P 500 slipped 0.5% d/d. The Dow was pressured by a decline in JPMorgan Chase after CEO Jamie Dimon said that he plans to sell 1m shares next year. The Nasdaq was the outlier, gaining 0.4% d/d with Amazon and Intel supporting the index. Amazon shares surged 6.8% d/d after the e-commerce giant trounced analysts' expectations, while Intel shares rose 9.3% d/d after the recovery in the PC market boosted its forecast.
- In Europe, Stoxx Eur 600 and FTSE 100 slid between 0.8%-0.9% d/d with company results causing big movements in individual stocks. NatWest plunged as much as 11.6% d/d amidst disappointing quarterly earnings as well as after the City watchdog said that it will review Natwest over Farage failings. Sanofi also fell more than 18.9% d/d after the drugmaker said that it had dropped its 2025 profit guidance and said it was reviewing possible separation scenarios. Asian markets bucked broader global market sell-off, with the Nikkei 225, CSI 300 and Hang Seng closing in the green between 1.3%-2.1% d/d.
- Treasuries mostly rallied after the softer y/y core-PCE prices underpinned expectations of a Fed pause next week. The 2Y fell 4bps to 5.00%, while the 10Y dipped 1bps to 4.84%. 10Y European yields fell between 2-6bps.
- Trading in the forex market was mostly mild ahead of the slew of central bank meetings this week. DXY fell slightly by less than 0.1% d/d to 106.56, while EUR closed flattish at 1.0565. GBP weakened by less than 0.1% d/d to 1.2122. In Asia, JPY rebounded by 0.5% d/d to 149.66, closing below the 150-level for the first time in 3 days. MYR also strengthened by 0.2% d/d to 4.7782. CNH depreciated slightly by 0.1% d/d to 7.3334, while SGD closed flattish at 1.3698.
- The tension in the Middle East sent commodities up, with oil prices gaining 2.8%-2.9% on supply disruption risks, while gold gained 0.1% d/d on safe haven demand.

US personal spending picked up; Core PCE prices moderated y/y, but accelerated to +0.3% m/m on services

- Despite softer than expected personal income growth of +0.3% m/m in September (Aug: +0.4% m/m), consumer spending held sturdy and picked up more than expected to +0.7% m/m (Aug: 0.4% m/m). The increase in spending was spread across goods and services, with the former due to prescription medication, new light trucks, food & beverages as well as recreational goods

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	32,417.59	-1.12
S&P 500	4,117.37	-0.48
NASDAQ	12,643.01	0.38
Stoxx Eur 600	429.58	-0.84
FTSE 100	7,291.28	-0.86
Nikkei 225	30,991.69	1.27
CSI 300	3,562.39	1.37
Hang Seng	17,398.73	2.08
Straits Times	3,061.85	-0.31
KLCI 30	1,441.90	0.09
FX		
Dollar Index	106.56	-0.04
EUR/USD	1.0565	0.02
GBP/USD	1.2122	-0.06
USD/JPY	149.66	-0.49
AUD/USD	0.6335	0.21
USD/CNH	7.3334	0.12
USD/MYR	4.7782	-0.18
USD/SGD	1.3698	0.02
Commodities		
WTI (\$/bbl)	85.54	2.80
Brent (\$/bbl)	90.48	2.90
Gold (\$/oz)	1,988.60	0.07
Copper (\$\$/MT)	8,099.00	1.42
Aluminum(\$/MT)	2,220.00	1.02
CPO (RM/tonne)	3,636.50	1.24

Source: Bloomberg, HLBB Global Markets Research
 * Dated as of 26 Oct for CPO

& vehicles and the former led by international travel, housing & utilities, health care, and transportation services.

- Core and headline personal consumption expenditures (PCE) prices, meanwhile, matched expectations at +3.7% y/y and +3.4% y/y in September (Aug: +3.8% y/y and +3.4% y/y) but we note that core-PCE accelerated to +0.3% m/m (Aug: +0.1% m/m), as services inflation remained sticky at +0.5% m/m. This is the fastest pace since January.
- The final University of Michigan Sentiment index was revised upwards by 0.8ppts to 63.8 in October (Sep: 67.9) but its expectations index was revised downwards by 1ppts to 59.3 (Sep: 65.8). Weighing on expectations were ongoing concerns about inflation. In fact, year-ahead inflation expectations rose to 4.2% (Sep: 3.2%) its highest reading since May, while long-run inflation expectations edged up to 3.0% (Sep: 2.8%).
- Kansas City Fed Services Activity index fell to -1 in October (Sep: +2), with all sub-indices registering declines except for employment. The industries recording decline in revenues were wholesale and retail trade, autos, and healthcare. Moving forward, expectations for services activity rose to 7 (Sep: +3) as firms were more optimistic about revenues for the next six months. Firms also expect input price increases to cool slightly but selling prices to rise even further.

Australia's PPI accelerated to +1.8% q/q

- Producer price inflation (PPI) accelerated to +1.8% q/q in 3Q (2Q: +0.5% q/q), while on a y/y basis, prices eased for the fourth quarter to +3.8% y/y (2Q: +3.9% y/y). Higher prices for construction outputs, petroleum and energy as well as broad-based price increases in services, particularly health and child care services underpinned the price inflation.

China recorded its second month of industrial profits

- Industrial profits registered its second month of expansion at +11.9% y/y in September (Aug: +17.2% y/y) as the market continued to improve, while industrial production expanded stably. Nonetheless, profits for the past two months were far from enough to recoup losses for the first 7-months, and as such, profits were still down 9.0% y/y YTD. Underpinning profits for the past two months were non-ferrous metal, food and electrical equipment and machinery.

Vietnam recorded milder CPI print; IPI and retail sales eased, but trade numbers picked up

- A slew of mixed economic data from Vietnam. Retail sales remained strong at +7.0% y/y in October (Sep: +7.5% y/y) with tourism-related sales continue to record double-digit growths. IPI, meanwhile, eased to +4.1% y/y (Sep: +5.1% y/y) with slower growth recorded across all sectors, while mining remained contractionary. This is despite trade numbers accelerating more than expected during the month. Exports expanded by +5.9% y/y (Aug: +4.6% y/y), while imports grew by +5.2% y/y (Aug: +2.6% y/y). Driving the former were a pick-up in exports of electronics & computer, transport as well a turnaround in exports of machinery.
- On the price front, CPI unexpectedly moderated to +3.6% y/y in October (Sep: +3.7% y/y), while core also eased to +3.4% y/y (Sep: 3.8% y/y). Prices were generally milder across the board with the exception of food and transport.

House View and Forecasts

FX	This Week	4Q-23	1Q-24	2Q-24	3Q-24
DXY	105-108	107	107	106	105
EUR/USD	1.04-1.07	1.04	1.04	1.04	1.05
GBP/USD	1.19-1.23	1.20	1.20	1.20	1.21
USD/JPY	148-152	150	147	144	141
AUD/USD	0.62-0.65	0.64	0.65	0.66	0.67
USD/MYR	4.75-4.82	4.74	4.69	4.65	4.60
USD/SGD	1.35-1.39	1.38	1.37	1.35	1.34

Rates, %	Current	4Q-23	1Q-24	2Q-24	3Q-24
Fed	5.25-5.50	5.50-5.75	5.50-5.75	5.50-5.75	5.25-5.50
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	4.10	4.10	4.10	4.10	3.83
BNM	3.00	3.00	3.00	3.00	3.00

Source: HLBB Global Markets Research

Up Next

Date	Events	Prior
30-Oct	AU Retail Sales MoM (Sep)	0.20%
	UK Net Consumer Credit (Sep)	1.6b
	EC Economic Confidence (Oct)	93.3
	US Dallas Fed Manf. Activity (Oct)	-18.1
31-Oct	JN Jobless Rate (Sep)	2.70%
	JN Retail Sales MoM (Sep)	0.10%
	JN Industrial Production MoM (Sep P)	-0.70%
	UK Lloyds Business Barometer (Oct)	36
	AU Private Sector Credit MoM (Sep)	0.40%
	CH Manufacturing PMI (Oct)	50.2
	CH Non-manufacturing PMI (Oct)	51.7
	JN Annualized Housing Starts (Sep)	0.812m
	JN Consumer Confidence Index (Oct)	35.2
	HK GDP YoY (3Q A)	1.50%
	EC CPI Estimate YoY (Oct)	4.30%
	US Employment Cost Index (3Q)	1.00%
	US FHFA House Price Index MoM (Aug)	0.80%
	US S&P CoreLogic CS US HPI YoY NSA (Aug)	0.98%
	AU CoreLogic House Px MoM (Oct)	0.90%
	US MNI Chicago PMI (Oct)	44.1
	US Conf. Board Consumer Confidence (Oct)	103
	US Dallas Fed Services Activity (Oct)	-8.6
	JN BOJ Policy Balance Rate	-0.10%

Source: Bloomberg

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