

30 November 2023

Global Markets Research

Daily Market Highlights

30 Nov: 10Y UST yields fell below 4.30%

UST yields fell 7-9bps as continuous dovish Fed comments spurred rate cut bets

DXY rebounded after upward revision in 3Q GDP showed fastest growth in nearly two years

OECD: Global growth is projected to ease in 2023 and 2024; picking up slightly in 2025

- The US equity markets gave up early gains to close mixed as big tech stocks retreated. The Dow Jones Industrial Average closed just above the flatline, while the S&P 500 and Nasdaq ticked down between 0.1-0.2% d/d. The communication services and energy sectors were the biggest losers in S&P 500, while in Fed speak, Cleveland Fed President Loretta Mester signalled that she would support maintaining the policy rates in December to assess whether inflation is on track to attain the 2.0% target.
- Elsewhere, European markets closed mixed while Hang Seng led losses in Asia at -2.1% d/d. CSI 300 also fell to its 1-month low. Mirroring a flat day in the US, shares in Asia are set for a muted opening.
- Treasury yields dropped further as traders increased bets that the Fed is likely to start cutting rates next year after Fed Governor Chris Waller's earlier comments that the policy rate is well positioned to slow the economy and get inflation back to target. The 10Y yield dipped below 4.30% for the first time since September (-7bps to 4.26%), while the 2Y fell to its lowest since July (-9bps to 4.65%). 10Y European bond yields also closed down between 6-10bps.
- DXY rebounded just above the flatline to 102.77 after US 3Q GDP came in better than initially estimated, appreciating against most G10 currencies except CHF, JPY, GBP and NZD. NZD strengthened 0.3% d/d following the Reserve Bank of New Zealand's hawkish stance. EUR weakened 0.2% d/d, pressured by slower than expected inflation data from Germany. Asian currencies, meanwhile, closed mostly stronger against the USD save the HKD, CNH and SGD.
- Oil jumped between 1.7-1.9% d/d ahead of the OPEC+ meeting amid uncertainties over production quota, while the Black Sea shutdowns lent further support to prices.

OECD: Global growth is projected to ease to 2.9% in 2023, 2.7% in 2024 before inching up to 3.0% in 2025

- Key highlights from the latest OECD Economic Outlook includes: 1) Global growth is projected to be 2.9% in 2023, weakening to 2.7% in 2024. As inflation abates further and real incomes strengthen, the world economy is projected to grow by 3.0% in 2025. Global growth remains highly dependent on fast-growing Asian economies. 2) Headline inflation is expected to return to central bank targets in most major economies by the end of 2025. OECD headline inflation is expected to fall gradually from 7.0% in 2023 to 5.2% and 3.8% in 2024 and 2025 respectively. 3) In the US, Fed is expected to begin cutting rates in 2H of 2024, with policy rates expected to reach 4.00-4.25% by the end of 2025. 4) In the euro area where core inflation pressures are still relatively

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	35,430.42	0.04
S&P 500	4,550.58	-0.09
NASDAQ	14,258.49	-0.16
Stoxx Eur 600	459.10	0.45
FTSE 100	7,423.46	-0.43
Nikkei 225	33,321.22	-0.26
CSI 300	3,488.31	-0.86
Hang Seng	16,993.44	-2.08
Straits Times	3,084.70	0.61
KLCI 30	1,446.07	-0.13
FX		
Dollar Index	102.77	0.02
EUR/USD	1.0969	-0.22
GBP/USD	1.2695	0.01
USD/JPY	147.24	-0.16
AUD/USD	0.6617	-0.48
USD/CNH	7.1432	0.15
USD/MYR	4.6520	-0.41
USD/SGD	1.3329	0.13
Commodities		
WTI (\$/bbl)	77.86	1.90
Brent (\$/bbl)	83.10	1.74
Gold (\$/oz)	2,047.10	0.35
Copper (\$\$/MT)	8,415.50	-0.68
Aluminum(\$/MT)	2,214.00	-0.14
CPO (RM/tonne)	3,749.50	0.28

Source: Bloomberg, HLBB Global Markets Research

* Dated as of 28 Nov for CPO

elevated, the main refinancing rate is projected to remain unchanged until the spring of 2025. 5) In Japan, an exit from the negative short-term policy rate is warranted next year, with the policy rate increasing gradually to 0.7% by the end of 2025. 6) No further policy rate increases are projected in Australia, Canada, Korea and the UK. Reductions in policy rates are projected to start in the 2H of 2024 in Australia, Canada and Korea and in early 2025, in the UK.

US 3Q GDP revised upwards to +5.2%, fastest pace in nearly 2 years

- Key highlights from the latest Beige Book include: 1) Economic activity slowed since the previous report and outlook for the 6-12 months diminished. 2) Retail sales remained mixed, with sales of discretionary items and durable goods declining as consumers showed more price sensitivity. 3) Travel and tourism activity was generally healthy. 4) Manufacturing activity was mixed and manufacturers' outlook weakened. 5) Consumer credit remained fairly healthy, but some banks noted a slight uptick in consumer delinquencies. 6) Several Districts noted a slight decrease in residential sales and higher inventories of available homes.
- 3Q GDP was revised upwards by 0.3ppts to +5.2% y/y (2Q: +2.1% q/q) mainly due to upward revisions to business investment and government spending. This is the fastest growth in nearly 2 years despite consumer spending logging a less robust 3.6% q/q than initially estimated (Initial: +4.0% q/q and 2Q: +0.8% q/q) due to lower services spending.
- Data from the Census showed that the trade deficit widened more than expected to \$89.8bn in October (Sep: \$86.8bn) as exports contracted (-1.7% m/m vs +2.9% m/m) while imports were flat (Sep: +2.7% m/m). The dismal numbers do not bode well for the net export contributions to GDP in 4Q and reflect not only slower external but also domestic demand. Accompanying data also showed that both the wholesale and inventories came lower than expected at -0.2% m/m and 0% respectively (Sep: +0.1% m/m and +0.4% m/m).
- Mortgage applications rose for the fourth week, albeit at a much slower pace of +0.3% w/w for the week ended November 24 (Nov 17: +3.0% q/q) as lower mortgage rates helped to spur a small increase in purchases. Moving forward, the housing market will continue to be weighed down by the ongoing low supply of existing homes while refinance activities will likely be muted as many borrowers are locked in at much lower rates in 2020 and 2021.

Economic Sentiment mildly up in the Eurozone

- Economic Confidence improved mildly and more than expected to 93.8 in November (Oct: 93.5). The improvement was due to higher confidence amongst consumers and construction managers, while confidence in industry, retail trade and services remained broadly unchanged. Amongst the largest economies, confidence improved for Netherlands, France and Poland but eased for Spain.

UK mortgage approvals rose for the first time in 4 months; consumer credit slowed; business index improved

- Mortgage approvals topped all estimates and rose for the first time in 4 months to 47.4k in October (Sep: 43.7k) as lower borrowing costs helped the housing market bounce back. Nonetheless, with mortgage rates unlikely to fall below 5% in the near term, demand is expected to remain weak. BOE data also showed that consumer credit unexpectedly slowed to +£1.3bn (Sep:

+£1.4bn). Separate data this morning showed that Lloyds Business Barometer unexpectedly improved for the second month to 42 in November (Oct: 39).

Australia's inflation cooled more than expected, boosting rate pause bets

- Inflation eased more than expected to +4.9% y/y in October (Sep: +5.6% y/y). Keeping inflation elevated were volatile item like food & non-alcoholic beverages (+5.3% y/y vs +4.7% y/y), while prices for transport (+5.9% y/y vs +9.4% y/y) and housing (+6.1% y/y vs +7.2% y/y) moderated, the former due to automotive fuel. With this, cash rate futures pared bets for another RBA hike to about 33% from 39% for the February 2024 meeting post the CPI print.

Mixed economic data from Japan

- Mixed data from Japan this morning. Retail sales unexpectedly turned contractionary at -1.6% m/m in October (Sep: +0.4% m/m), but IPI picked up more than expected to +1.0% m/m (Sep: +0.5% m/m). The decline for the former was the first in 4 months, dragged lower by contractions in wholesale and retailer. The stronger growth in IPI, meanwhile, reflected boost from recovering global supply chain as well as sold demand for auto from the US.

Impact from higher rice exports prices spillover domestically for Vietnam

- CPI unexpectedly moderated to +3.5% y/y in November (Oct: +3.6% y/y), while the expansion in IPI, exports and retail sales accelerated to +5.8% y/y, +6.7% y/y and +10.1% y/y respectively (Oct: +4.1% y/y, +5.9% y/y and +7.0% y/y). The deceleration in prices was driven by housing-related indicators, while increased tuition fees and domestic rice prices continued to keep inflation elevated.
- In the real economy, the acceleration in IPI was driven by the manufacturing sector, while the improved export numbers were supported by electronics and computers. Retail sales remained strong due to trade- and tourism-related activities. As it is, the latest data suggests that the economy should hold up in 4Q as domestic demand remained resilient while external demand, mirroring regional trends, bottomed out and recover.

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

Up Next

Date	Events	Prior
30-Nov	AU Private Sector Credit MoM (Oct)	0.50%
	CH Manufacturing PMI (Nov)	49.5
	CH Non-manufacturing PMI (Nov)	50.6
	JN Housing Starts YoY (Oct)	-6.80%
	HK Retail Sales Value YoY (Oct)	13.00%
	EC CPI Estimate YoY (Nov)	2.90%
	EC Unemployment Rate (Oct)	6.50%
	US Personal Income (Oct)	0.30%
	US Personal Spending (Oct)	0.70%
	US Initial Jobless Claims	209k
	US PCE Core Deflator YoY (Oct)	3.70%
	US MNI Chicago PMI (Nov)	44
	US Pending Home Sales MoM (Oct)	1.10%
	AU Judo Bank Australia PMI Mfg (Nov F)	47.7
1-Dec	JN Jobless Rate (Oct)	2.60%
	JN Capital Spending YoY (3Q)	4.50%
	JN Jibun Bank Japan PMI Mfg (Nov F)	48.7
	MA S&P Global Malaysia PMI Mfg (Nov)	46.8
	VN S&P Global Vietnam PMI Mfg (Nov)	49.6
	CH Caixin China PMI Mfg (Nov)	49.5
	EC HCOB Eurozone Manufacturing PMI (Nov F)	43.8
	UK S&P Global/CIPS UK Manufacturing PMI (Nov F)	46.7
	US S&P Global US Manufacturing PMI (Nov F)	50.0
	US Construction Spending MoM (Oct)	0.40%
	US ISM Manufacturing (Nov)	46.7

Source: Bloomberg

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