

31 October 2023

Global Markets Research

Daily Market Highlights

31 Oct: BOJ meet in focus today

US stocks posted solid rebound on better risk appetite; UST yields rose; DXY fell

Oil prices fell more than 3% on temporary relief that the Middle East tension has not spread

Eurozone's sentiment fell slightly; UK mortgage approvals fell to an 8-month low

- US stocks posted a solid rebound to the start of the week, with the Dow rallying 500 points or up 1.6% d/d. The S&P 500 and Nasdaq also jumped 1.2% d/d each. Communication services was the best-performing S&P 500 sector while amongst individual stocks, earnings beats from McDonald's and SoFi provided support ahead of Apple and other key earnings this week. SoFi Technology closed 1.0% d/d higher after it raised its revenue outlook and eyes 4Q profit, while McDonalds gained 1.7% d/d after sales topped estimates, boosted by bigger orders and pricier burgers.
- Similarly, European markets closed higher despite the ongoing geopolitical tensions and Germany's economy contracting 0.1% q/q in 3Q. Stoxx Eur 600 closed up 0.4% d/d and FTSE 100 up 0.5% d/d. Asian indices closed mixed, with CSI 300 and Hang Seng gaining 0.6% d/d and less than 0.1% d/d respectively, but Nikkei 225 slid 1.0% d/d.
- Risk appetite weighed on Treasuries, sending the 2Y and 10Y yields up 5-6bps to close at 5.05% and 4.89% respectively. Traders were also assessing the US Government's updated borrowing plan. The US Treasury announced that it will borrow \$776bn in privately-held net marketable debt in 4Q. 10Y European bond yields closed mixed, between -7 to +1bps.
- DXY slipped to 106.12 from its intraday peak of 106.70, closing the day 0.4% d/d lower. European currencies strengthened between 0.4%-0.5% d/d, while most Asian currencies also appreciated against the Dollar. Amongst the leading gainers were JPY and SGD at +0.4% d/d each, while MYR appreciated by 0.3% d/d to 4.7635. CNH strengthened at a slightly milder pace of +0.1% d/d.
- On the tailwind was a decline in oil prices as investors were cautiously relieved that Israel's ground invasion hasn't spilled into broader regional conflict, sending oil prices sliding between 3.4-3.8% d/d.

Dallas Fed Manufacturing Index unexpectedly worsened

- The Dallas Fed Manufacturing Activity index unexpectedly worsened to -19.2 in October (Sep: -18.1) and has now spent more than a year in negative territory. The outlook uncertainty index remained elevated at 20.2 (Sep: 27.0), while expectations regarding future manufacturing activity were mixed. Most measures pushed more into positive territory with the exception of the future general business activity index, which rose 10 points but remained negative at -6.8.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	32,928.96	1.58
S&P 500	4,166.82	1.20
NASDAQ	12,789.48	1.16
Stoxx Eur 600	431.12	0.36
FTSE 100	7,327.39	0.50
Nikkei 225	30,696.96	-0.95
CSI 300	3,583.77	0.60
Hang Seng	17,406.36	0.04
Straits Times	3,064.29	0.00
KLCI 30	1,439.20	-0.19
FX		
Dollar Index	106.12	-0.41
EUR/USD	1.0615	0.47
GBP/USD	1.2170	0.40
USD/JPY	149.10	-0.37
AUD/USD	0.6374	0.62
USD/CNH	7.3253	-0.11
USD/MYR	4.7635	-0.31
USD/SGD	1.3643	-0.40
Commodities		
WTI (\$/bbl)	82.31	-3.78
Brent (\$/bbl)	87.45	-3.35
Gold (\$/oz)	2,005.60	0.85
Copper (\$\$/MT)	8,140.50	0.51
Aluminum(\$/MT)	2,266.50	2.09
CPO (RM/tonne)	3,637.00	0.01

Source: Bloomberg, HLBB Global Markets Research

* Dated as of 27 Oct for CPO

Eurozone's economic confidence edged down slightly

- Economic confidence slowed for the sixth month, albeit less than expected to 93.3 in October (Sep: 93.4) as the region continued to struggle under the weight of higher interest rates, still elevated inflation and geopolitical tensions. The decline, albeit minimal, was the net result of lower confidence in retail trade and higher confidence in services. Amongst the largest economies, sentiment improved for Poland, Spain and Germany but deteriorated markedly in France and Italy.

UK's mortgage approvals fell to its lowest since January

- UK mortgage approvals declined more than expected to its 8-month low of 43.3k in September (Aug: 45.4k) as rising interest rates continued to dampen housing market activity. Accordingly, the 'effective' interest (the actual interest paid) on newly drawn mortgages, saw a 19bps jump to 5.01%. The softer trend was also seen in the consumer credit data with net borrowing falling to £1.4bn (Aug: £1.7bn). The decline was largely driven by decreased borrowing through other forms of consumer credit, such as car dealership finance and personal loans, as well as credit cards. On a positive note, data this morning showed that Lloyds Business Barometer improved to 39 in October (Sep: 36).

Australia's retail sales picked up

- Retail sales accelerated more than expected to +0.9% m/m in September (Aug: +0.3% m/m), with most industries recording growth. The warmer-than-usual start to spring lifted sales of hardware, gardening, and clothing items. Also adding a boost to sales was the release of a new iPhone model and the introduction of the Climate Smart Energy Savers Rebate program in Queensland.

Japan's retail sales fell 0.1% m/m; IPI rebounded to +0.2% m/m; both below consensus forecasts

- Data this morning meanwhile, showed that jobless rate matched expectations and eased to 2.6% in September (Aug: 2.7%). Despite this, retail sales unexpectedly weakened to -0.1% m/m (Aug: +0.2% m/m), IPI also came below street estimate at +0.2% m/m, although an improvement from August's -0.7% m/m. The uptick was driven by a turnaround in output of capital and durable consumer goods.

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
31-Oct	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%
	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%
1-Nov	AU Judo Bank Australia PMI Mfg (Oct F)	48
	JN Jibun Bank Japan PMI Mfg (Oct F)	48.5
	MA S&P Global Malaysia PMI Mfg (Oct)	46.8
	VN S&P Global Vietnam PMI Mfg (Oct)	49.7
	AU Building Approvals MoM (Sep)	7.00%
	CH Caixin China PMI Mfg (Oct)	50.6
	HK Retail Sales Value YoY (Sep)	13.70%
	UK S&P Global/CIPS UK Manufacturing PMI (Oct F)	45.2
	US MBA Mortgage Applications	-1.0%
	US ADP Employment Change (Oct)	89k
	US S&P Global US Manufacturing PMI (Oct F)	50
	US Construction Spending MoM (Sep)	0.50%
	US JOLTS Job Openings (Sep)	9610k
	US ISM Manufacturing (Oct)	49
2-Nov	US FOMC Rate Decision (Upper Bound)	5.50%
	US FOMC Rate Decision (Lower Bound)	5.25%

Source: Bloomberg

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