

5 August 2024

## Global Markets Research

### Daily Market Highlights

## 5 Aug: Sluggish US jobs data sparked recession fears

**Slower-than-expected gains in US NFP, wage growth; unemployment rate ticked up**

**Sell-off in the global equity markets as investors turned adverse; Bond yields and DXY fell**

**Australia's household spending fell, producer inflation accelerated; Singapore's PMI picked-up**

- A much weaker-than-anticipated jobs report triggered fears that the US could fall into a recession, causing investors to turn risk adverse and drove a broad-based sell-off in the global equity markets. In the US, the 3 major indices fell in tune to 1.5-2.4% d/d, with consumer discretionary and financial stocks leading losses. Some megacap tech names also logged steep losses, weighed down by disappointing earnings or guidance. Amazon and Intel shares plunged as the former's AI spending spooked investors, and the latter after reporting a big miss on earnings.
- In Europe, Stoxx 600 tumbled 2.7% d/d and investors took shelter in defensive stocks like utilities and selected pharmaceutical stocks. Asian markets closed in the red, with Nikkei 225 tanking as much as 5.8% d/d, and are expected to follow the US' slump today.
- In the Treasury market, UST yields fell sharply between 17-27bps across the curve, as investors flooded into bonds for safety. The 2Y yield fell 27bps to 3.88% and the 10Y slid 19bps to 3.79%. 10Y European bond yields dropped between 1-14bps.
- DXY sank to as low as 103.13 during the day, before paring some of its losses to close at 103.21 (-1.2% d/d), its lowest since at least March. The Dollar weakened against all its G10 peers and regional currencies, save the INR and TWD. JPY (+1.9% d/d) and CHF (+1.6% d/d) led gains against USD amongst the G10, and MYR (+1.6% d/d to 4.4970) and CNH (+1.2% d/d) amongst regional currencies. SGD also appreciated by 0.7% d/d to close at 1.3268.
- Oil slumped between 3.4-3.7% d/d on demand concerns from both the US and China, overshadowing the heightened geopolitical risks in the Middle East.

### Weaker than expected NFP prints from the US

- The non-farm payroll (NFP) report was weaker than expected for the month of July, making the case for the Fed to start cutting rates in September and we pencilling in a 50-75bps rate cut by end-2024. Gains in NFP moderated to +114k (June: +179k) with 29k of downward revisions to the past two months. While employment continued to trend up in health care, construction, and in transportation & warehousing, the information sector lost jobs during the month. Both average hourly earnings and weekly hours also slowed to +0.2% m/m and 34.2 hours respectively (June: +0.3% m/m and 34.3 hours) but more importantly, the unemployment rate unexpectedly rose 0.2ppts to 4.3%, triggering the Sahm Rule. The Sahm Recession Indicator signals the start of a recession when the 3-month moving average of the national unemployment rate rises by 0.5ppts or more relative to the minimum of the three-month averages from the

### Key Market Metrics

	Level	d/d (%)
<b>Equities</b>		
Dow Jones	39,737.26	-1.51
S&P 500	5,346.56	-1.84
NASDAQ	16,776.16	-2.43
Stoxx Eur 600	497.85	-2.73
FTSE 100	8,174.71	-1.31
Nikkei 225	35,909.70	-5.81
CSI 300	3,384.39	-1.02
Hang Seng	16,945.51	-2.08
Straits Times	3,381.45	-1.12
KLCI 30	1,611.05	-0.81
<b>FX</b>		
Dollar Index	103.21	-1.16
EUR/USD	1.0911	1.11
GBP/USD	1.2801	0.49
USD/JPY	146.53	-1.89
AUD/USD	0.6511	0.15
USD/CNH	7.1638	-1.21
USD/MYR	4.4970	-1.58
USD/SGD	1.3268	-0.74
<b>Commodities</b>		
WTI (\$/bbl)	73.52	-3.66
Brent (\$/bbl)	76.81	-3.41
Gold (\$/oz)	2,425.70	-0.38
Copper (\$\$/MT)	9,055.50	0.03
Aluminum(\$/MT)	2,263.50	-1.42
CPO (RM/tonne)	3,989.00	-1.51

Source: Bloomberg, HLBB Global Markets Research  
\* Dated as of 1 Aug for CPO

previous 12 months.

- On the manufacturing front, factory orders fell more than expected by 3.3% m/m in June (May: -0.5% m/m) largely due to transportation goods. Non-defense capital goods excluding aircraft, which are seen as a proxy of business spending plans on equipment, nonetheless, remained solid and increased 0.9% m/m in June, slightly revised down from the 1.0% reported last month.

#### **Australia's household spending fell for the first time in 3 months; lending for homes and producer prices accelerated**

- A mixed slew of data in Australia, supporting our view that the RBA will most likely maintain status quo for now. Household spending fell 0.5% m/m in June (May: 1.0% m/m), its first monthly drop in 3 months on the back of lower spending on services like recreational & cultural services, hotel accommodation, as well as dining out. On the other hand, lending to home loans rebounded more than expected by 1.3% m/m (May: -1.7% m/m) as investor loans outpaced owner-occupiers. PPI also accelerated to +1.0% q/q and +4.8% q/q in 2Q (1Q: +0.9% q/q and +4.3% q/q), likely to keep inflationary pressures elevated. Producer price inflation was seen across most industries, with construction costs pushed up by rising labour costs and skilled trade shortages, while services costs were driven up by higher prices linked to fees for property operators.
- The final S&P Services PMI was revised down 0.4ppts to 50.4 in July, easing from June's 51.2. This is the slowest growth in 6 months as employment growth slowed and new orders dipped below the neutral level. Selling price, nonetheless, climbed to its 1Y high, likely reflecting the Fair Work Commission adjustment to basic wages.

#### **Singapore headline PMI accelerated; electronics sector remained expansionary**

- PMI expanded at a faster pace of 50.7 in July (June: 50.4) as the linchpin electronics sector remained expansionary at 51.0 (June: 51.2). On the back of the uptrend in the global semiconductor cycle and in line with the new orders, new exports and future business sub-indices gaining momentum during the month, we believe that the recovery of the electronics sector and manufacturing, remains firm going forward.

#### **House View and Forecasts**

<b>FX</b>	<b>This Week</b>	<b>3Q-24</b>	<b>4Q-24</b>	<b>1Q-25</b>	<b>2Q-25</b>
DXY	102-106	104.28	102.71	101.69	100.67
EUR/USD	1.07-1.11	1.08	1.09	1.08	1.06
GBP/USD	1.26-1.29	1.28	1.29	1.28	1.28
USD/JPY	143-152	158	155	151	148
AUD/USD	0.64-0.67	0.67	0.68	0.69	0.69
USD/MYR	4.43-4.61	4.66	4.60	4.54	4.50
USD/SGD	1.31-1.35	1.34	1.33	1.32	1.30

  

<b>Rates, %</b>	<b>Current</b>	<b>3Q-24</b>	<b>4Q-24</b>	<b>1Q-25</b>	<b>2Q-25</b>
Fed	5.25-5.50	5.00-5.25	4.50-4.75	4.25-4.50	4.00-4.25
ECB	3.75	3.50	3.25	3.00	2.75
BOE	5.00	5.00	4.75	4.50	4.25
BOJ	0.25	0.25	0.25	0.40	0.40
RBA	4.35	4.35	4.35	4.10	3.85
BNM	3.00	3.00	3.00	3.00	3.00

Source: HLBB Global Markets Research

**Up Next**

Date	Events	Prior
5-Aug	HK S&P Global Hong Kong PMI (Jul)	48.2
	JN Jibun Bank Japan PMI Services (Jul F)	53.9
	SI S&P Global Singapore PMI (Jul)	55.2
	CH Caixin China PMI Services (Jul)	51.2
	SI Retail Sales SA MoM (Jun)	2.40%
	EC HCOB Eurozone Services PMI (Jul F)	51.9
	EC Sentix Investor Confidence (Aug)	-7.3
	UK S&P Global UK Services PMI (Jul F)	52.4
	EC PPI YoY (Jun)	-4.20%
	US S&P Global US Services PMI (Jul F)	56
	US ISM Services Index (Jul)	48.8
	JN Labor Cash Earnings YoY (Jun)	1.90%
	JN Household Spending YoY (Jun)	-1.80%
6-Aug	AU RBA Cash Rate Target	4.35%
	EC Retail Sales MoM (Jun)	0.10%
	US Trade Balance (Jun)	-\$75.1b

Source: Bloomberg

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