

6 August 2024

Global Markets Research

Daily Market Highlights

6 Aug: All eyes on the RBA today

Global stock market rout intensified; UST yields closed mixed; DXY closed below 103

JPY led gains against USD amid chatter of unwinding yen carry trade

Uptick in US ISM-Services; Japan's real wages rose but household spending remains weak

- The sell-off in the global equity markets intensified on Monday, with the Dow Jones Industrial Average losing 1k points or -2.6% d/d in the US, Nasdaq plunging 3.4% d/d while the S&P 500 slid 3.0% d/d. This marked the biggest losses since September 2022 for the Dow and S&P, and followed down days last Thursday and Friday on the heels of poor US jobs data and negative Manufacturing PMI that sparked recession fears. There was also chatter about the unwinding of the yen "carry trade" after the BOJ raised rates last week, adding fuel to the retreat in the global markets.
- The rout began in Asia, where Nikkei 225 tumbled 12.4% d/d and logged its worst day since 1987, while Stoxx Eur 600 was off 2.2% d/d in Europe. All sectors and major bourses finished in the red for the latter, with utilities as well as oil & gas stocks tanking the most.
- Treasury yields closed mixed in tune +/-4bps across the curve. The 2Y yield rose 4bps to 3.92% while the 10Y closed just below the flatline at 3.79%. 10Y European bond yields increased between 0-5bps, save the Swedish sovereign bonds.
- In the forex market, JPY led gains against the Dollar on chatter that traders unwound carry trades globally and as risky assets like equities tumbled. DXY sank 0.5% d/d to 102.69, with JPY and haven currency CHF leading gains against USD (+1.6% d/d and +0.8% d/d). EUR also appreciated 0.4% d/d against greenback, but GBP weakened 0.2% d/d. In Asia, MYR (+1.6% d/d to 4.4272) was a notable gainer, while CNH and SGD appreciated between 0.1-0.4% d/d against USD.
- The global financial rout also pushed the WTI and Brent lower by 0.7-0.8% d/d overnight. Partially supporting prices were, nonetheless, production halt in Libya's largest oil field and news that Saudi Arabia raised the price of its flagship crude to Asia for the first time in 3 months.

Mixed S&P Services PMIs for the majors and Composite PMIs for regionals

- Although the final US Services PMI was revised down 1.0ppts to 55.0 in July (June: 55.3), the two months data mark the best growth spell for over 2 years. Given the large size of the services sector, this also suggests that the economy continued to grow at a relatively solid pace during the month, while a further cooling of the selling price sub-index will give Fed leeway to manoeuvre going forward if need be.
- While the final HCOB Eurozone Services PMI was left unchanged at 51.9 in July (June: 52.8), this marks the third month of deceleration in growth as exports shrank at the quickest rate in 5 months. With companies more hesitant about hiring, new business barely ticking up and the impact from the European Football Championships, the Olympics and Taylor Swift's

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	38,703.27	-2.60
S&P 500	5,186.33	-3.00
NASDAQ	16,200.08	-3.43
Stoxx Eur 600	487.05	-2.17
FTSE 100	8,008.23	-2.04
Nikkei 225	31,458.42	-12.40
CSI 300	3,343.32	-1.21
Hang Seng	16,698.36	-1.46
Straits Times	3,243.67	-4.07
KLCI 30	1,536.48	-4.63
FX		
Dollar Index	102.69	-0.50
EUR/USD	1.0952	0.38
GBP/USD	1.2776	-0.20
USD/JPY	144.18	-1.60
AUD/USD	0.6498	-0.20
USD/CNH	7.1385	-0.35
USD/MYR	4.4272	-1.55
USD/SGD	1.3252	-0.12
Commodities		
WTI (\$/bbl)	72.94	-0.79
Brent (\$/bbl)	76.30	-0.66
Gold (\$/oz)	2,401.70	-0.99
Copper (\$\$/MT)	8,888.50	-1.84
Aluminum(\$/MT)	2,250.00	-0.60
CPO (RM/tonne)	4,035.00	1.15

Source: Bloomberg, HLBB Global Markets Research

* Dated as of 2 Aug for CPO

concert tour winding down, the service sector probably won't give us much of a boost to the economy in 2H.

- The final UK Services PMI was revised up 0.1ppts to 52.5 in July (June: 52.1), marking its first acceleration since April. Supporting higher output was the strongest uptick in demand since 2023, driven by the overseas markets. Employment in the UK service sector also rose at the fastest pace in over a year, while business confidence rebounded from June's recent low. The price sub-index, nonetheless, remains well above their pre-pandemic trends.
- Although the final Japan Services PMI was revised down 0.2ppts to 53.7 in July (June: 49.4), the index, at this level suggests that the sector experienced a renewed upswing in growth driven by gains in both output and new orders, especially from the domestic front for the latter. The near-term outlook for the sector appears robust, as the level of outstanding business, a bellwether for upcoming work, returned to growth territory, while confidence in the 12-month outlook also remained strong.
- The Caixin China PMI Services rose more than expected to 52.1 in July, up 0.9ppts m/m, supported by faster new business inflows, while export business also continued to rise. The labor market also shifted from contraction to expansion, but market optimism remains low, with its second-lowest reading since March 2020.
- The S&P Global Hong Kong Composite PMI remained contractionary, albeit at a lighter pace of 49.5 in July (June: 48.2) as incoming new orders and output fell at softer rates. New export orders also decreased, while new business from Mainland China returned to growth. Meanwhile, employment levels declined amid business pessimism, and there are signs of easing margin pressures.
- July's S&P Global Singapore Composite PMI improved sharply to 57.2 (Jun: 55.2), its fastest pace in 21 months amid an acceleration in new business growth and a broad-based growth led by the transport, information & communication segment. Confidence levels converged with the long-run average, businesses hired at a solid pace and forward-looking indicators all pointed to sustained growth in the coming months.

ISM-Services jumped more than expected in the US

- ISM-Services increased more than expected to 51.4 in July (June: 48.8), driven by an average increase of 5ppts for the Business Activity, New Orders, and Employment sub-indices. Most firms continued to report that increased costs are impacting their businesses, noted a return to a more stable supply chain, adopting a wait-and-see attitude in view of the upcoming presidential election and expect business activity to be flat or expand gradually going forward. With the PMIs not recording back-to-back months in contraction since April and May 2020, this suggests sustained growth for the sector going forward.

Eurozone's m/m uptick for PPI primarily driven by energy costs; investor sentiment slumped

- A mixed string of economic data from the bloc that is supportive of an ECB rate cut in September. Producer price inflation (PPI) fell by 3.2% y/y in June (May: -4.1% y/y) and although rebounded m/m (+0.5% m/m vs -0.2% m/m), this was mainly driven by the 1.6% m/m jump in energy prices. The Sentix Investor Confidence, meanwhile, slumped a whopping 6.6 points m/m to -13.9 in August, its lowest since January, with expectations falling even more sharply by 10.3 points, all indications of an accelerated slowdown for the

region. Germany in particular nosedived 12 points to -42.8 points, its worst since June 2020, while the expectations component plummeted to -18.5 points, flagging recession risks.

Japan's real wages rose for the first time in 2 years, but household spending remains weak

- Despite Japan's wages rising for the first time in more than 2 years in June (+1.1% y/y vs -1.3% y/y), household spending fell more than expected by 1.4% y/y (May: -1.8% y/y) driven by lower outlays for food, utilities and household durable goods. As it is, the latest data will cast doubts on BOJ's view that consumer spending is on the mend after quarters of contraction, clouding prospects for the central bank's next interest rate hike.

Singapore's retail sales unexpected fell

- Retail sales unexpectedly fell in July, declining 0.6% y/y as compared to +2.2% y/y previously, as sales fell across most sectors dropped. The decline was led by lower sales of books, wearing apparel & footwear as well as mini-marts & convenience stores, but increased for retailers of motor vehicles and food & alcohol.

House View and Forecasts

FX	This Week	3Q-24	4Q-24	1Q-25	2Q-25
DX	102-106	102.41	100.87	99.86	98.86
EUR/USD	1.07-1.11	1.11	1.12	1.10	1.08
GBP/USD	1.26-1.29	1.29	1.30	1.30	1.29
USD/JPY	143-152	145	143	140	137
AUD/USD	0.64-0.67	0.66	0.66	0.67	0.68
USD/MYR	4.39-4.54	4.50	4.40	4.35	4.30
USD/SGD	1.31-1.35	1.33	1.32	1.30	1.28

Rates, %	Current	3Q-24	4Q-24	1Q-25	2Q-25
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
6-Aug	AU RBA Cash Rate Target	4.35%
	EC Retail Sales MoM (Jun)	0.10%
	US Trade Balance (Jun)	-\$75.1b
7-Aug	JN Leading Index CI (Jun P)	111.2
	MA Foreign Reserves	\$113.3b
	US MBA Mortgage Applications	-3.90%
	CH Exports YoY (Jul)	8.60%

Source: Bloomberg

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