

7 August 2024

Global Markets Research

Daily Market Highlights

7 Aug: Hawkish hold for the RBA

Rate cut not in the RBA's agenda in the near term; AUD strengthened post-meeting

Turnaround Tuesday in the equity markets; UST yields and DXY also rose

Fed's Daly's said that labour market is slowing but not falling off a cliff, assuaging recession fears

- It was a turnaround Tuesday in the financial markets, with the global equity markets clawing back some losses after the sell-off the previous 3 days. The 3 major US equity indices closed the day 0.8-1.0% d/d higher with all 11 sectors of the broad market index positive and the "Magnificent Seven" stocks mostly higher. Helping lift sentiment was the rebound in Japanese stocks as well as Fed Mary Daly's comment that she does not see the labour market indicators flagging red, assuaging recession fears.
- In Europe, Stoxx 600 (+0.3% d/d) ended moderately in the green, with technology stocks outperforming while real estate and auto were the laggards. In Asia, Nikkei 225 (+10.2% d/d) rebounded sharply after the plunge the prior day with gains logged across the board.
- In the Treasury market, yields rose across board led by the long-end as investors regained their risk appetite. The 2Y yield increased 6bps to 3.98% while the 10Y jumped 10bps to 3.89%. 10Y European bond yields closed mixed between -/+5bps.
- DXY posted a modest gain of 0.3% d/d to 102.97, as traders pared down rate cut bets and the Dollar closed mixed against its G10 peers. NOK (+0.9% d/d) and AUD (0.3% d/d) led gains against USD, the latter after the RBA maintained its hawkish hold but GBP, EUR and JPY depreciated in tune to (0.1-0.7% d/d) against greenback. Regional currencies mostly weakened against the Dollar, with MYR depreciating 1.1% d/d to 4.4748, and CNH and SGD mildly weaker between 0-0.3% d/d.
- Both the WTI and Brent ended its losing streak and gained 0.2-0.4% d/d in the crude oil market. Traders were also watching out for a retaliatory attack on Israel by Iran and regional militias as well as signs of potential physical market tightness after the disruption in Libyan supplies.

RBA maintained its hawkish stance and cash rate at 4.35%

- As anticipated, the Reserve Bank of Australia (RBA) maintained its cash rate unchanged at 4.35% and reiterated its stance of "not ruling anything in or out" in terms of monetary policy going forward and that the policy rates need to be sufficiently restrictive until the central bank is confident that inflation is moving sustainably towards the target range. At the same time, the central bank also revised up its trimmed mean CPI forecasts to 3.5% by end-2024 and 2.9% by end 2025 (prior: 3.4% and 2.8%) as well as its GDP projections for year ending 2024 and 2025 to 1.7% and 2.5% respectively (prior: 1.6% and 2.3%).
- During the press conference, Governor Michele Bullock added that a rate cut is not in the RBA's agenda in the near term and that the central bank is not expecting a recession for the economy. With this, there is no change in our view that the RBA will most likely maintain its cash rate unchanged until early

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	38,997.66	0.76
S&P 500	5,240.03	1.04
NASDAQ	16,366.85	1.03
Stoxx Eur 600	488.44	0.29
FTSE 100	8,026.69	0.23
Nikkei 225	34,675.46	10.23
CSI 300	3,342.98	-0.01
Hang Seng	16,647.34	-0.31
Straits Times	3,198.44	-1.39
KLCI 30	1,574.39	2.47
FX		
Dollar Index	102.97	0.27
EUR/USD	1.0931	-0.19
GBP/USD	1.2691	-0.67
USD/JPY	144.34	0.11
AUD/USD	0.6520	0.34
USD/CNH	7.1590	0.29
USD/MYR	4.4748	1.08
USD/SGD	1.3254	0.02
Commodities		
WTI (\$/bbl)	73.20	0.36
Brent (\$/bbl)	76.48	0.24
Gold (\$/oz)	2,389.10	-0.52
Copper (\$\$/MT)	8,928.50	0.45
Aluminum(\$/MT)	2,296.00	2.04
CPO (RM/tonne)	3,974.50	-1.50

Source: Bloomberg, HLBB Global Markets Research

* Dated as of 5 Aug for CPO

2025.

US' trade deficit narrowed as exports picked up

- Trade deficit narrowed for the first time this year, albeit less than expected to \$73.1bn in June from \$75.0bn previously. The narrower trade deficit was driven by a stronger export growth which outpaced imports at +1.5% m/m and 0.6% m/m respectively (May: -0.5% m/m vs -0.3% m/m), the former driven by increased exports of capital goods as well as industrial supplies & materials and latter reflecting increases in consumer and capital goods.

Sluggish retail sales data from the Eurozone

- Retail sales fell more than forecast by 0.3% m/m in June (May: +0.1% m/m) despite steady increase in real incomes, suggesting that a consumption-led recovery remained elusive. With this, there is no change in our expectations that the ECB will continue with its loosening monetary policy going forward despite the recent pause. Sales dropped for food and non-food products, but picked up for automotive fuel.

House View and Forecasts

FX	This Week	3Q-24	4Q-24	1Q-25	2Q-25
DXY	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
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%
8-Aug	US Consumer Credit (Jun)	\$11.354b
	JN Bank Lending Ex-Trusts YoY (Jul)	3.60%
	JN Eco Watchers Survey Outlook SA (Jul)	47.9
	US Initial Jobless Claims	249k

Source: Bloomberg

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