

7 October 2024

Global Markets Research

Daily Market Highlights

7 Oct: Strong NFP reaffirms a resilient US economy

Global bonds took a hit after upbeat US job prints pared aggressive rate cut bets

Global equity markets rallied; USD strengthened against all G10s

Maintain our view for two more 25bps cuts by the Fed for the remaining of 2024

- The three major US equity indices rallied between 0.8-1.2% d/d last Friday, following the stronger-than-expected US nonfarm job report and unemployment rate which gave investors confidence around the health of the labour market. With the exception of utilities and real estate stocks, gains were broad-based led by gains in small cap stocks, financials, consumer discretionary as well as communication services stocks. Energy stocks also jumped as oil prices continued to gain. Elsewhere, major bourses in the European markets also traded in the green, with banking and energy stocks leading gains. Autos also climbed after the European Union voted to impose tariffs on China-made electric vehicles, while Asian markets closed mixed. Futures are pointing to higher openings in the Asian markets today, taking cue from positive sentiments from Friday's market and upbeat US job prints.
- In the bond space, global bonds remained under selling pressure for a 3rd straight day. In the US, signs of a resilient US labour market saw traders paring aggressive rate cut bets and sending UST yields higher by 7-22bps (prior: 5-7bps) across the curve. Futures pricing for a November and December rate cut dwindled to 24bps and 52bps respectively post-NFP (prior: 34bps and 67bps). The 2Y yield jumped 22bps to 3.92%, while the 10Y rose 12bps to 3.97%. 10Y European bond yields also rose a further 2-11bps (prior: 4-8bps) led by the UK gilts.
- In the forex space, the DXY jumped to an intraday high of 102.69 before narrowing gains to close the day 0.5% d/d higher at 102.52 following the stronger US hiring data. The Dollar strengthened against all its G10 peers. JPY led declines against the Dollar at -1.2% to 148.70, followed by NZD and AUD (-0.7 to -0.9% d/d). EUR also weakened 0.5% d/d against USD, while GBP closed just below the flatline at 1.3122. Regional currencies, meanwhile, closed mixed against USD, with CNH and SGD weakening 0.6-0.7% d/d but MYR appreciated 0.1% d/d to 4.2197.
- On the commodity front, crude oil prices continued to push higher amid the intensifying conflict in the Middle East, but pared their gains after President Biden discouraged Israel from attacking Iran's oil fields. Still, the WTI and Brent closed the day 0.9% d/d and 0.6% d/d higher, at \$74.38/ barrel and \$78.05/ barrel respectively.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	42,352.75	0.81
S&P 500	5,751.07	0.90
NASDAQ	18,137.85	1.22
Stoxx Eur 600	518.56	0.44
FTSE 100	8,280.63	-0.02
Nikkei 225	38,635.62	0.22
CSI 300	4,017.85	8.48
Hang Seng	22,736.87	2.82
Straits Times	3,589.13	0.33
KLCI 30	1,629.97	-0.71
FX		
Dollar Index	102.52	0.52
EUR/USD	1.0974	-0.52
GBP/USD	1.3122	-0.02
USD/JPY	148.70	1.20
AUD/USD	0.6795	-0.66
USD/CNH	7.0984	0.67
USD/MYR	4.2197	-0.05
USD/SGD	1.3045	0.55
Commodities		
WTI (\$/bbl)	74.38	0.91
Brent (\$/bbl)	78.05	0.55
Gold (\$/oz)	2,645.80	-0.43
Copper (\$\$/MT)	9,943.50	0.79
Aluminum(\$/MT)	2,653.00	0.91
CPO (RM/tonne)	4,269.50	0.84

Source: Bloomberg, HLBB Global Markets Research
 * Dated as of 3 Oct for CPO; dated 30 Sept for CSI 300

Strong US nonfarm payroll reaffirms soft landing view for the economy and smaller rate cut bets

- Jobs data was surprisingly strong, with job creation, unemployment rate and wages all better than expected, reaffirming a soft-landing scenario for

the US economy and a Fed that will most likely tread cautiously going forward, delivering only a 25bps rate cut each in the next 2 FOMC meetings to end 2024, as per our house view. Non-farm payrolls (NFP) rose 254k, versus the 159k the prior month and there were 72k of upward revisions to the past two months of data, a departure from the trend of downward revisions in the preceding months. The unemployment rate unexpectedly fell to 4.1% from 4.2%, while wages rose 0.4% m/m from an upwardly revised 0.5% m/m previously. Again, the leisure and hospitality sector led job creation for the month, followed by healthcare and government.

Singapore retail sales growth moderated less than expected to 0.6% y/y in August

- Retail sales grew at a slightly slower pace of 0.6% y/y in August, easing from the 1.0% y/y increase in July, but nonetheless beat consensus estimates for a 0.2% y/y growth. Sales declined for most sectors including at department stores and petrol stations, with motor vehicle sales the only segment recorded hefty double-digit growth. Sales ex-auto continued to contract (-1.5% vs -2.3% y/y), indicating weakness in overall spending that will likely translate into softer 3Q GDP growth.

Hong Kong PMI climbed back to neutral level for the first time in five months

- PMI picked up steam and returned to neutral level at 50.0 for the first time in five months in September (Aug: 49.4). The uptick was spurred by smaller contraction in output (49.6 vs 49.0) and increase in new orders, offering signs the Hong Kong economy will continue to expand going forward.

Vietnam's GDP unexpectedly quickened to 7.4% in 3Q

- Defying expectations for softer growth after Super Typhoon Yagi disrupted industrial output and farming activities, Vietnam's economy registered its strongest pace in 2 years at +7.4% y/y in 3Q (2Q: +6.9% y/y) and brought growth to 6.8% for the first nine months of 2024. As it is, the uptick in growth for 4Q and YTD was driven largely by the manufacturing sector (YTD: 9.8% y/y), exports (YTD: 16.9% y/y) and foreign direct investment (YTD: 6.8% y/y), further supported by a still strong consumption (+6.2% y/y) on the domestic front.

House View and Forecasts

FX	This Week	4Q-24	1Q-24	2Q-25	3Q-25
DXY	100-104	101.56	100.54	99.53	99.04
EUR/USD	1.09-1.12	1.11	1.12	1.13	1.14
GBP/USD	1.29-1.33	1.33	1.35	1.36	1.37
USD/JPY	144-150	146	142	138	135
AUD/USD	0.67-0.70	0.68	0.69	0.70	0.71
USD/MYR	4.18-4.27	4.25	4.20	4.15	4.10
USD/SGD	1.28-1.32	1.31	1.29	1.27	1.25

Rates, %	Current	4Q-24	1Q-25	2Q-25	3Q-25
Fed	4.75-5.00	4.25-4.50	3.75-4.00	3.50-3.75	3.25-3.50
ECB	3.50	3.25	3.00	2.75	2.50
BOE	5.00	4.75	4.50	4.25	4.00
BOJ	0.25	0.25	0.40	0.40	0.55
RBA	4.35	4.35	4.10	3.85	3.60
BNM	3.00	3.00	3.00	3.00	3.00

Source: HLBB Global Markets Research

Up Next

Date	Events	Prior
7-Oct	JN Leading Index CI (Aug P)	109.3
	MA Foreign Reserves	\$117.6b
	EC Sentix Investor Confidence (Oct)	-15.4
	EC Retail Sales MoM (Aug)	0.10%
8-Oct	US Consumer Credit (Aug)	\$25.452b
	AU Westpac Consumer Conf SA MoM (Oct)	-0.50%
	JN Labor Cash Earnings YoY (Aug)	3.60%
	JN Household Spending YoY (Aug)	0.10%
	AU RBA Minutes of Sept. Policy Meeting	
	AU NAB Business Confidence (Sep)	-4
	AU NAB Business Conditions (Sep)	3.0
	JN Eco Watchers Survey Current SA (Sep)	49.0
	JN Eco Watchers Survey Outlook SA (Sep)	50.3
	US NFIB Small Business Optimism (Sep)	91.2
	US Trade Balance (Aug)	-\$78.8b

Source: Bloomberg

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