

8 August 2024

Global Markets Research

Daily Market Highlights

8 Aug: Lingering unease in the financial markets

Early rally in US equity markets fizzled out; UST yields closed mostly higher; Slightly firmer DXY
JPY weakened after BOJ's Uchida said that BOJ won't raise rates if markets are unstable
US consumer spending and China's exports growth slowed; Japan's leading index fell

- Wall Street kick-started the day on a positive note after the Bank of Japan's deputy governor Shinichi Uchida commented that the bank won't raise rates if markets are unstable, but this early rally fizzled out in sign of lingering unease over the recent equity weakness as well as the state of the US economy. The 3 major indices closed down in tune to 0.6-1.1% d/d as shares of technology, healthcare and consumer discretionary were hammered, while energy, utilities, financials and consumer staples stocks gained. Disappointing corporate earnings from Walt Disney to Airbnb and Super Micro Computer also weighed down on the respective stocks and Wall Street.
- European markets, nonetheless, closed their sessions in green. Stoxx Eur 600 logged its strongest session since November 2023 at 1.5% d/d, as banks clawed back recent steep losses and sent the financial sector up 2.5% d/d. Asian stocks also closed up but are set for a retreat today following the futures.
- In the bond market, the 2Y Treasury yield slipped 1bps to 3.96%, but the 10Y yield continued its climb and closed 5bps higher at 3.94%. 10Y European bond yields increased between 3-9bps.
- DXY was slightly firmer by 0.2% d/d at 103.20 and the Dollar closed mixed against its G10 peers and regional currencies. Haven currencies like JPY (-1.6% d/d) and CHF (-1.2% d/d) were laggards, while GBP closed just above the flatline at 1.2692. In Asia, CNH, MYR and SGD weakened between 0.2-0.5% d/d to 7.1733, 4.4980 and 1.3277 respectively.
- Crude oil prices recovered from their recent rout and rallied in tune to 2.4-2.8% d/d, as investors remained on edge over the retaliatory strike from Iran on Israel. Prices were also supported by the production halt in Libya and lower inventories data from the US.

US consumer credit slowed on revolving credit; mortgage applications rebounded as rates eased

- A mixed slew of economic data from the US. Consumer credit grew at a much slower pace than expected in June (\$8.9bn vs \$13.9bn) as revolving credit, which includes credit cards, declined the most since 2021 at \$1.7bn (prior: +\$13.9bn). Non-revolving credit, such as loans for auto purchases and tuition, rose \$10.6bn (prior: +\$7.1bn) but amid slowing wage growth, dwindling savings rate and still elevated interest rates, this suggests that households tapping credit for purchases may not sustain spending for much longer.
- Mortgage applications rebounded a sharp 6.9% w/w for the week ended 2 August (prior: -3.9% w/w) to its highest level this year, as the mortgage rates eased across the board. The 30Y fixed rate fell to 6.55% for the week, its lowest level since May 2023 following dovish comments from the Fed and

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	38,763.45	-0.60
S&P 500	5,199.50	-0.77
NASDAQ	16,195.81	-1.05
Stoxx Eur 600	495.96	1.54
FTSE 100	8,166.88	1.75
Nikkei 225	35,089.62	1.19
CSI 300	3,341.49	-0.04
Hang Seng	16,877.86	1.38
Straits Times	3,249.72	1.60
KLCI 30	1,591.87	1.11
FX		
Dollar Index	103.20	0.22
EUR/USD	1.0922	-0.08
GBP/USD	1.2692	0.01
USD/JPY	146.68	1.62
AUD/USD	0.6519	-0.02
USD/CNH	7.1733	0.20
USD/MYR	4.4980	0.52
USD/SGD	1.3277	0.17
Commodities		
WTI (\$/bbl)	75.23	2.77
Brent (\$/bbl)	78.33	2.42
Gold (\$/oz)	2,390.50	0.06
Copper (\$\$/MT)	8,769.50	-1.78
Aluminum(\$/MT)	2,288.00	-0.35
CPO (RM/tonne)	3,903.00	-1.80

Source: Bloomberg, HLBB Global Markets Research
 * Dated as of 6 Aug for CPO

weak job prints.

Japan's leading index fell on housing and labour market

- The leading index fell more than expected to 108.60 in June from 111.2 previously, weighed down by a relatively weak housing market and softer job market sub-indices. The assessment of the coincident index was maintained as "halting to fall," suggesting some pockets of weakness in the Japanese economy and reaffirming our view that the central bank will likely stay cautious in terms of their monetary tightening policy for now.

China's exports unexpectedly slowed

- Despite lower base effects, China's export unexpectedly slowed to 7.0% y/y in July from +8.6% y/y previously, suggesting that foreign trade that has largely propped up growth may be cooling and raising expectations that growth may undershoot Government's target of 5.0% this year. The softer growth was weighed down by lower exports to Japan, Russia and Australia, while exports to Singapore fell at a larger pace. By products, exports were weighed down by demand for rare earths, but shipments of cars, home appliances and smart phones grew at a solid pace before the increase in trade tariffs from the US starting 2025.

Malaysia's foreign reserves rose sharply

- Reserves rose a sharp \$1.4bn in 2H of July to \$114.7bn as of end-July (1H: - \$0.5bn). The reserves position is sufficient to finance 5.5 months of imports of goods and services and is 1.0 times of the total short-term external debt.

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
8-Aug	JN Bank Lending Ex-Trusts YoY (Jul)	3.60%
	JN Eco Watchers Survey Outlook SA (Jul)	47.9
	US Initial Jobless Claims	249k
9-Aug	CH PPI YoY (Jul)	-0.80%
	CH CPI YoY (Jul)	0.20%
	MA Manufacturing Sales Value YoY (Jun)	5.50%
	MA Industrial Production YoY (Jun)	2.40%

Source: Bloomberg

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