

8 October 2024

Global Markets Research

Daily Market Highlights

8 Oct: All eyes on minutes to the RBA policy meeting today

Investors turned jittery in the US equity space; global bonds under pressure

DXY closed flattish and mixed against G10 peers and regional currencies

Crude oil prices jumped more than 3% on the day on geopolitical jitters

- Heightened geopolitical tension in the Middle East, higher oil prices and Treasury yields jolted US equities from their recent gains and saw the Dow Jones retreating 0.9% d/d on Monday. The S&P 500 also fell 1.0% d/d while Nasdaq lost 1.2% d/d. Stocks nearly fell across the board, with 10 of the eleven sectors for the day. Energy stocks gained, the only sector in the S&P 500 to close in green, supported by higher oil prices. Meanwhile, major stock indices in Europe and Asia gained overnight, but could take a beating today amid the war jitters and following futures. China markets will reopen today after a week-long break.
- In the bond market, US Treasuries remained under selling pressure for the 4th consecutive day following the stronger labour market readings the prior week, and closed the day 6-7bps higher (prior: 7-22bps) across the curve. The 2Y yield jumped 7bps to 4.00%, while the 10Y rose 6bps to 4.03%, its highest since August. 10Y European bond yields also rose a further 4-9bps (prior: 2-11bps) led by the Norwegian sovereign bonds.
- In the FX space, DXY closed just above the flatline at 102.54 and the Dollar closed mixed against its G10 peers and regional currencies. Within G10, EUR closed just above the flatline at 1.0976, while JPY strengthened 0.4% d/d after Atsushi Mimura, Japan's top currency diplomat, issued a warning against speculative moves on the currency market. Katsunobu Kato, Japan's newly appointed finance minister also added that the government would monitor the impact of rapid currency moves and act if necessary. GBP, on the other hand, continued to feel the pressure from recent BOE Governor Andrew Bailey's comments that the central bank might move more aggressively to lower rates if inflation stays in line, and closed the day 0.3% d/d weaker. Closer to home, CNH and SGD appreciated between 0-0.4% d/d against the Dollar, but MYR weakened 1.5% d/d to 4.2845.
- Oil prices jumped by more than 3% d/d amid the intensifying conflict between Israel-Iran, and as Hurricane Milton intensified, shutting down the oil and gas platform in the Gulf of Mexico.

Slower-than-expected US consumer credit before Fed's easing cycle

- Consumer credit rose at a slower pace than expected at \$8.9bn in August (prior: \$26.6bn) as revolving credit, which includes credit cards, fell nearly \$1.4bn after July's +\$10.6bn. Non-revolving credit, such as loans for vehicle purchases and school tuition, continued to increase, albeit at a slower pace of \$10.3bn from +\$16.0bn previously. The slower increase in consumer credit suggests that consumers may be reducing credit-card balances that are carrying much higher interest rates than they were years ago, and as

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	41,954.24	-0.94
S&P 500	5,695.94	-0.96
NASDAQ	17,923.90	-1.18
Stoxx Eur 600	519.48	0.18
FTSE 100	8,303.62	0.28
Nikkei 225	39,332.74	1.80
CSI 300	4,017.85	8.48
Hang Seng	23,099.78	1.60
Straits Times	3,599.19	0.28
KLCI 30	1,635.29	0.33
FX		
Dollar Index	102.54	0.02
EUR/USD	1.0976	0.02
GBP/USD	1.3083	-0.30
USD/JPY	148.18	-0.35
AUD/USD	0.6757	-0.56
USD/CNH	7.0712	-0.38
USD/MYR	4.2845	1.54
USD/SGD	1.3040	-0.04
Commodities		
WTI (\$/bbl)	77.14	3.71
Brent (\$/bbl)	80.93	3.69
Gold (\$/oz)	2,644.80	-0.04
Copper (\$\$/MT)	9,929.50	-0.14
Aluminum(\$/MT)	2,658.00	0.19
CPO (RM/tonne)	4,371.00	2.38

Source: Bloomberg, HLBB Global Markets Research
 * Dated as of 4 Oct for CPO; dated 30 Sept for CSI 300

consumers held off purchases hoping for cheaper financing costs going forward. As it is, the share of overall consumer debt in delinquency held steady at 3.2% in 2Q, but the share of auto and credit-card loans that were newly delinquent has crept higher recently.

Eurozone retail sales picked up; investor confidence turned less downbeat

- Retail sales picked up and increased 0.2% m/m in August as expected, although July's print was revised a notch lower from +0.1% to 0.0%. The pick-up was broad-based, from food & beverages, to non-food products and automotive fuel. On an annual basis, sales rebounded after two straight months of contraction, albeit less than expected to grow 0.8% y/y (Jul: -0.1% y/y), led by turnaround in non-food products and automotive fuel/ special stores, while food & beverages saw narrower decline. The latest sales print offered hope domestic consumption is still forthcoming, and will support growth in the euro region in 3Q.
- Sentix investor confidence unexpectedly turned less pessimistic in October (-13.8 vs -15.4), as investors were less negative over economic sentiments six months ahead even though sentiments towards current conditions remained little changed.

Japan's leading index fell in August; signalling risk to growth outlook and BOJ hike going forward

- Leading index retreated 2.6% m/m to 106.7 in August (Jul: 109.3), roughly within expectation for a pullback to 106.9. This marked its lowest reading in nearly four years, mainly dragged by a 8.7% m/m decline in stock prices, as well as extended decline in sales forecast by small businesses, overshadowing rebounds in producers' final demand and new job offers. Meanwhile, the coincident index also fell 3.7% m/m to 113.5 in August, from 117.2 in July, with declines across all fronts except for the small gain in retail sales value. The softer leading index suggests growth may be at risk of softening ahead, hence potentially binding the hands of BOJ to raise rates.
- Further supporting our view that the BOJ may delay its next rate hike was the decline in household spending data this morning. Accordingly, household spending fell, albeit less than expected by 1.9% y/y in August from +0.1% y/y previously, in line with the softer increase in labour cash earnings (+3.0% y/y vs +3.4% y/y).

Australia's consumer confidence improved to its highest in 2 years

- In Australia, the Westpac Consumer Confidence index rose to 89.8 in October from 84.6. While pessimism still dominates, the October consumer sentiment read is the best in more than two years, supported by interest rate cuts abroad and more promising signs that inflation is moderating domestically.

Malaysia foreign reserves rose to a near decade-high at \$119.7bn as at end-September

- Foreign reserves continued to increase for the 4th consecutive fortnight, by \$2.1bn to \$119.7bn as at end-September (13-Sept: US\$117.6bn), its highest reserves level since Nov-2014, and has taken into account the changes in quarterly foreign exchange revaluation. USDMYR stood at 4.1235 as at end-September, a 12.6% appreciation compared to 4.7175 as at end-June. The reserves position is sufficient to finance 4.8 months of retained imports and is 0.9x the short-term external debt.

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
8-Oct	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
9-Oct	US Trade Balance (Aug)	-\$78.8b
	US MBA Mortgage Applications	-1.30%
	CH New Yuan Loans CNY YTD (Sep)	14430.0b
	CH Aggregate Financing CNY YTD (Sep)	21900.0b

Source: Bloomberg

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