

9 July 2024

## Global Markets Research

### Daily Market Highlights

## 9 July: Uneventful day ahead of Powell's testimony to the Senate

**US job gains and wage growth slowed; unemployment rate ticked up; consumer credit jumped**

**Deadlock in French politics sent France's equities falling and EUR weakening**

**Mixed data for the Eurozone; upbeat data & strong wage growth for Japan reaffirmed rate hike views**

- Trading was uneventful with the US stock indices clinging at, or near records, with investors digesting the latest jobs report and events, including the British and French elections while waiting for the US CPI, Fed Chair Jerome Powell's semi-annual testimony to the Senate Banking Committee as well as the kick-off of the 2Q earnings seasons this week, starting with PepsiCo, Delta Air Lines and a slew of major banks, including Citigroup and JPMorgan Chase. The S&P 500 and Nasdaq closed up 0.1-0.3% d/d overnight, while the Dow closed 0.1% d/d lower.
- In Europe, Stoxx Eur 600 closed flattish while France's CAC 40 closed down 0.6% d/d after a surprised win for the left coalition in the country's parliamentary election. However, the coalition failed to secure an absolute majority, leaving French politics in a deadlock. Asian stocks closed mixed and are set for a muted open today before Powell's testimony.
- Treasury yields were little changed, closing mixed between -1 to +3bps. The 2Y yield gained 3bps to 4.63% while the 10Y closed flat at 4.28%. 10Y European bond yields fell in tune to 1-5bps, led by the French and Italian sovereign bonds.
- Similarly, trading was also cautious on the forex front ahead of Powell's testimony to the Senate. DXY closed firmer by 0.1% d/d to 105.00 as the Dollar strengthened against all its G10 counterparts (-0.1 to -1.0% d/d) save for the CAD. EUR and GBP weakened in tune to 0.1-0.2% d/d, the latter despite BOE policy maker Jonathan Haskel's signal that he will vote to leave interest rates unchanged in the next meeting, warning that a tight labour market will keep inflation high. Regional currencies closed mixed against USD by +/-0.3% d/d, with SGD weakening 0.1% d/d to 1.3500, but CNH and MYR closed just above the flatline at 7.2857 and 4.7087 respectively.
- Crude oil prices fell between 0.9-1.0% d/d on diminishing disruption risks to crude infrastructure by Hurricane Beryl. Nonetheless, wildfires in Canada and potential export delays amidst the shutdowns in the ports of Houston and Corpus Christi should keep prices elevated. We will also be watching out for OPEC's monthly outlook and IEA's forecasts later this week.

**US added more jobs than expected, unemployment rate ticked up, wage growth slowed as the labour market moved into better balanced; consumer credit jumped on credit card balances**

- The US economy again added slightly more jobs than expected in June (206k vs 218k) though the 2-months net payroll was revised down a whopping 111k and the unemployment rate increased to 4.1%, its highest level since October 2021 as labor force participation rate rose 0.1ppts 62.6%. Hiring was concentrated in non-cyclical sectors such as government, health care and social assistance, while construction also added some jobs. Average

Key Market Metrics		
	Level	d/d (%)
<b>Equities</b>		
Dow Jones	39,344.79	-0.08
S&P 500	5,572.85	0.10
NASDAQ	18,403.74	0.28
Stoxx Eur 600	516.43	-0.03
FTSE 100	8,193.49	-0.13
Nikkei 225	40,780.70	-0.32
CSI 300	3,401.76	-0.85
Hang Seng	17,524.06	-1.55
Straits Times	3,404.47	-0.19
KLCI 30	1,611.02	-0.35
<b>FX</b>		
Dollar Index	105.00	0.12
EUR/USD	1.0824	-0.15
GBP/USD	1.2807	-0.06
USD/JPY	160.83	0.05
AUD/USD	0.6737	-0.18
USD/CNH	7.2857	-0.04
USD/MYR	4.7087	-0.01
USD/SGD	1.3500	0.10
<b>Commodities</b>		
WTI (\$/bbl)	82.33	-1.00
Brent (\$/bbl)	85.75	-0.91
Gold (\$/oz)	2,363.50	-1.43
Copper (\$\$/MT)	9,915.00	-0.29
Aluminum(\$/MT)	2,531.50	-0.16
CPO (RM/tonne)	4,129.50	0.65

Source: Bloomberg, HLBB Global Markets Research

\* Dated as of 4 July for CPO, 5 July for KLCI, USD/MYR

hourly earnings eased 0.1ppts to 0.3% m/m, while the average work week was steady at 34.3 hours, both in line with estimates.

- The latest labour economic report aligns with the Federal Reserve's goal of achieving a "soft landing." While the economy continues to create jobs, the slower pace and increasing unemployment signals a balanced labour market. The moderation in job growth should also lead to slower wage increases, which should help keep inflation on track towards the Fed's 2% target. Further supporting the disinflation trend is the softer New York Fed 1Y inflation expectations for the second month at 3.02% in June, easing from 3.17% previously.
- Meanwhile, consumer credit surged by \$11.4bn in May (Apr: \$6.5bn), exceeding expectations and marking the largest increase in three months. This growth was primarily driven by a significant rise in credit card usage, such as revolving credit saw a \$7.0bn increase, while non-revolving credit, such as loans for vehicles and education, also grew by \$4.3bn (prior: -\$0.9bn and +\$7.4bn). This suggests that consumers are increasingly relying on credit for purchases in the face of dwindling savings and rising living costs. However, this reliance on credit could further strain household finances and may lead to pullbacks in consumer spending going forward.

#### **Eurozone's retail sales crept up slowly; setback in investors' confidence**

- Retail sales undershot expectations to expand by 0.1% m/m in May, a rebound from April -0.2% m/m, driven by increased sales of food, drinks, tobacco as well as automotive fuel in specialised stores. While the growth may seem modest, it suggests a positive turning point after quarters of contraction. With real wages on the rise and borrowing rates decreasing, 2H should see a continuation of an upward trend, albeit a cautious one.
- After 8 consecutive improvements, the Sentix investors' confidence fell by a whopping 7.6 points to -7.3 in July, with moderate positive momentum in Germany coming to an abrupt end. Weighing on the sentiment was concerns over the French elections and increasing slowdown in the US economy.

#### **Stronger economic data and wage growth for Japan**

- A positive set of data points from Japan, signalling that the economy has continued its moderate recovery, though there have been some pockets of weakness recently. Both the leading and Eco Watchers Outlook indices rose more than expected to 111.1 in May and 47.9 in June respectively (prior: 110.9 and 46.3), the former driven by factors like new job offers, stock prices and small businesses sales forecast. Bank lending accelerated to 3.6% y/y in June (May: 3.3% y/y), while labor cash earnings, though slightly below expectations, reached a notable 1.9% y/y increase in May (Apr: 1.6% y/y) - the highest since 1993. This wage growth is expected to gain further momentum in 3Q due to the "shunto" spring wage negotiations, reigniting the virtuous cycle of wage-led consumption growth and bolstering the case for a BOJ rate hike later in the year.

#### **Singapore's retail sales jumped on motor vehicles**

- Retail sales performance was mixed in May, rising, more than expected by 2.2% y/y in May. Although reversing the 1.2% y/y drop in April, the uptick was mainly due to double digit growths in motor vehicles due to the higher COE quota during the month, and thus stripping this, sales were flat after April's -4.5% y/y contraction. Half of the 14 retail categories saw y/y

increase during the month, led by food & alcohol and watches & jewellery but these were offset by lower demand for wearing apparel and optical goods respectively.

- Moving forward, retail sales are projected to end the second quarter on a subdued note, as a strong SGD discouraged tourist spending, particularly from China, and prompted residents to seek better value overseas. However, major events like the Grand Prix and popular concerts are expected to bolster retail sales in 3Q, while the disbursement of cash handouts announced in Budget 2024 could further stimulate spending during this period.

### House View and Forecasts

FX	This Week	2Q-24	3Q-24	4Q-24	1Q-25
DXY	104-107	105.43	105.56	103.45	101.38
EUR/USD	1.06-1.09	1.06	1.05	1.06	1.06
GBP/USD	1.25-1.29	1.24	1.22	1.23	1.24
USD/JPY	159-163	152	149	146	143
AUD/USD	0.66-0.69	0.65	0.65	0.65	0.66
USD/MYR	4.69-4.73	4.73	4.68	4.64	4.57
USD/SGD	1.34-1.37	1.35	1.35	1.34	1.33

  

Rates, %	Current	2Q-24	3Q-24	4Q-24	1Q-25
Fed	5.25-5.50	5.25-5.50	5.25-5.50	5.00-5.25	4.50-4.75
ECB	4.25	4.25	3.75	3.50	3.50
BOE	5.25	5.25	4.75	4.50	4.50
BOJ	0 - 0.10	0 - 0.10	0 - 0.10	0 - 0.10	0 - 0.10
RBA	4.35	4.35	4.35	4.10	4.10
BNM	3.00	3.00	3.00	3.00	3.00

Source: HLBB Global Markets Research

### Up Next

Date	Events	Prior
9-Jul	US Consumer Credit (May)	\$6.403b
	AU Westpac Consumer Conf Index (Jul)	83.6
	AU NAB Business Confidence (Jun)	-3
	US NFIB Small Business Optimism (Jun)	90.5
9-15 Jul	CH Aggregate Financing CNY YTD (Jun)	14800.0b
10-Jul	JN PPI YoY (Jun)	2.40%
	CH PPI YoY (Jun)	-1.40%
	CH CPI YoY (Jun)	0.30%
	US MBA Mortgage Applications	-2.60%

Source: Bloomberg

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