

9 October 2024

## Global Markets Research

### Daily Market Highlights

## 9 Oct: Tech shares spurred gains in Wall Street

**US equities and UST advanced; USD traded mixed against G10 currencies**

**Fed speaks called for cautious approach; further dampening 50bps rate cut bets**

**China stocks halved gains from intraday high; amid lack of more stimulus news**

- US equities rebounded to close higher on the day, led by tech shares with Nvidia leading gains among the Magnificent 7 stocks. The three key stock indices rose between 0.3-1.5% d/d with NASDAQ topping with a 1.5% increase. Risk sentiments improved amid a more robust US job markets and numerous Fed speaks that further pushed back expectations for a 50bps rate cut going forward.
- Fed speaks overnight all appeared to call for cautious policy move, reiterated that the Fed is attentive to both employment and inflation mandate in balancing two-sided risks. All these reaffirmed our take that the rate cut path ahead will be measured. Fed Bostic mentioned that the FOMC has had the “luxury of being a bit more patient” if the job market remained strong. He also commented that inflation is still “quite a ways” above the 2% target. Fed President Collins said policy makers should adopt a careful and data dependent approach, so that it does not place unnecessary restraint on demand. She commented that the labour market is in a “good place overall”. Meanwhile, Fed Williams said the US economy is well positioned for a soft landing and that the 50bps cut in September was not “the rule of how we act in the future”. Fed Kugler called for a “balanced approach” for future rate cuts while Fed Musalem warned against easing too quickly and preferred to be patient. On the contrary, Fed Kashkari reiterated his support for a 50bps cut in September and said the balance of risks has shifted towards employment.
- China stimulus play also came to the fore again as China markets reopened after a week-long closure for Golden Week holiday. China’s CSI 300 opened sharply higher but gains quickly fizzled out, narrowing gains to 5.9% d/d, after surging as much as 11% in early trading hours. Other Asian equity indices in the region were generally weaker in the wake of risk aversion in the markets stoked by geopolitical jitters and on disappointment of no further stimulus news from China. Notably, Hang Seng corrected from recent rallies, and fell a whopping 9.4% on the day. It has gained about 16% since China’s announcements on massive stimulus plans, while China stocks have rallied about 24%, both near its highest in 28 months. Futures are pointing to a higher opening in Asian markets this morning tracking the overnight gains in Wall Street.
- In the bond space, moves were more muted after the recent bout of selling that has pushed 10-year yields above the 4.00% handle for the first time since end-July. UST yields fell 1-4bps across the curve led by the front end, bull steepening the curve. Benchmark 2-year note yields fell 4bps to 3.96%

#### Key Market Metrics

	Level	d/d (%)
<b>Equities</b>		
Dow Jones	42,080.37	0.30
S&P 500	5,751.13	0.97
NASDAQ	18,182.92	1.45
Stoxx Eur 600	516.64	-0.55
FTSE 100	8,190.61	-1.36
Nikkei 225	38,937.54	-1.00
CSI 300	4,256.10	5.93
Hang Seng	20,926.79	-9.41
Straits Times	3,575.69	-0.65
KLCI 30	1,635.62	0.02
<b>FX</b>		
Dollar Index	102.47	-0.01
EUR/USD	1.0980	0.04
GBP/USD	1.3104	0.16
USD/JPY	148.20	0.01
AUD/USD	0.6744	-0.19
USD/CNH	7.0738	0.04
USD/MYR	4.2873	0.07
USD/SGD	1.3040	0.00
<b>Commodities</b>		
WTI (\$/bbl)	73.90	-4.39
Brent (\$/bbl)	77.44	-4.56
Gold (\$/oz)	2,640.60	-0.80
Copper (\$\$/MT)	9,758.00	-1.95
Aluminum(\$/MT)	2,570.00	-3.17
CPO (RM/tonne)	4,383.50	0.29

Source: Bloomberg, HLBB Global Markets Research  
\* Dated as of 7 Oct for CPO

while the 10s slipped 1bp to 4.01%. In Europe, 10-year bond yields were also lower overall.

- Moving on to the FX space, the Dollar Index ended relatively flat for a 2<sup>nd</sup> day in a row, at 102.47 (-0.01% from prior 102.54). G10 currencies traded mixed against the greenback, NOK and CHF led losers while kiwi led gainers despite expectation of a 50bps RBNZ cut today. Meanwhile in the region, Asian currencies traded largely weaker against the greenback. CNY led losers with a 0.6% decline d/d but offshore CNH saw a modest 0.04% losses. USDMYR traded steadily higher for the day and closed the day 0.07% at 4.2873. SGD ended the day flattish at 1.3040.
- Oil prices fell over 4.0% on the day, on concern over demand outlook in the absence of any fresh stimulus news out of China. The WTI lost 4.4% to \$73.90/ barrel while the Brent shed 4.6% on the day to \$77.44/ barrel.

#### **RBA minutes reaffirmed no urgency to cut; maintain our house view for a cut in 1Q25**

- RBA minutes of the September policy meeting revealed that the board of policy makers remained “vigilant to upside risks to inflation”, and that “monetary policy would need to be sufficiently restrictive until members were confident inflation was moving sustainability towards the target range”. This reaffirmed our view that RBA is in no urgency to cut, and that our house view for the next cut in 1Q of next year remains.
- NAB Business Confidence improved to register a smaller negative print in September (-2 vs -5) while the current condition index edged up, also by 3 points from 4 to 7 during the month, a sign of improving confidence in the economy. The more favourable outlook was driven by improvement in trading, profitability, employment and stocks, while exporters’ sales saw the biggest decline.

#### **US small business optimism remained relatively steady; trade deficit narrowed on higher exports and lower imports**

- NFIB Small Business Optimism ticked up less than expected to 91.5 in September (Aug: 91.2), and continued to hover at recent levels above 90s for the 5<sup>th</sup> straight month, as small businesses remained anxious over uncertainties surrounding the upcoming US election, as they usually did in the past. Firms are cutting back on capex spending plans and the uncertainty index rose to 103 during the month (Aug: 92).
- Trade deficit narrowed to a 5-month low of \$70.4bn in August (Jul: -\$78.9bn), roughly within expectations, as exports rose 2.0% m/m and imports fell 0.9% m/m. The lower imports were due in part to lower crude oil prices while imports of consumer goods continued to edge higher likely amid frontloading of purchases ahead of disruption at US ports. Meanwhile, exports were driven by increased shipment of capital goods and motor vehicles.

#### **Japan’s Eco Watcher survey pointed to softer outlook**

- Eco Watchers Survey showed both the outlook and current condition indices unexpectedly weakened in September. The outlook index pulled back to 49.7 (Aug: 50.3) as both household and businesses turned pessimistic, and expectations for retail, food, and housing all headed south. On the contrary, the employment subindex climbed higher from 50.9 to 51.7, its highest since February, signalling a still firm labour market.

### 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
9-Oct	US MBA Mortgage Applications	-1.30%
	CH New Yuan Loans CNY YTD (Sep)	14430.0b
	CH Aggregate Financing CNY YTD (Sep)	21900.0b
10-Oct	US FOMC Meeting Minutes	
	JN PPI YoY (Sep)	2.50%
	AU Consumer Inflation Expectation (Oct)	4.40%
	US CPI Ex Food and Energy YoY (Sep)	3.20%
	US Real Avg Hourly Earning YoY (Sep)	1.30%
	US Initial Jobless Claims	225k

Source: Bloomberg

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