

10 October 2024

Global Markets Research

Daily Market Highlights

10 Oct: FOMC minutes showed some pushbacks against 50bps cut

Some would have supported a 25bps cut; reiterated not a sign of unfavourable outlook

DXY closed up; NZD led decliners against the USD after RBNZ cut rates by 50bps

All eyes on US CPI today; earnings seasons to kick-off on Friday

- US equities rose for the second session on Wednesday, with the S&P 500 and Dow Jones Industrial Average rising to record overnight. The S&P 500 rallied 0.7% d/d after notching an intraday all-time high, while Nasdaq added 0.6% d/d. The Dow also surged 1.0% to settle at a record close. Stocks maintained their gains after minutes from September's FOMC meeting showed that officials were divided on how much to cut rates, eclipsing lingering fears of a broader war in the Middle East and a disappointing session in China as investors took profits from the recent stimulus-fuelled rally. CSI 300 plunged 7.1% d/d, snapping its winning streak, while Hang Seng also lost 1.4% d/d. Asian equities are nonetheless expected to rally today following the futures and after the US equity rally lifted sentiment. Traders will also be watching out for the US CPI readings today, and kick-off of the earnings starting with big banks JPMorgan Chase and Wells Fargo tomorrow.
- In the bond space, Treasuries sold off for the session, pushing yields up 5-7bps across the curve. Benchmark 2Y rose 6bps to 4.02% while the 10Y increased 6bps to 4.07%. Trading in 10Y European bond yields were largely muted, with yields closing the day slightly higher between 1-3bps save the UK gilts.
- In the FX space, DXY held to its gains after the FOMC minutes showed that there was some pushback against a 50bps rate cut. DXY closed the day 0.4% d/d higher at 102.93 and the Dollar strengthened against all its G10 peers in tune 0.3-1.2% d/d. NZD led the depreciation against USD after the RBNZ delivered a 50bps rate cut, while GBP, EUR, JPY and AUD weakened at a softer pace of 0.4-0.8% d/d. Regional currencies closed mixed against the Dollar, with CNH and SGD weakening between 0.2-0.3% d/d, but MYR strengthened 0.1% d/d to 4.2815.
- Crude oil prices fell another day after an Energy Information Administration report showed that US inventories swelled 5.8m barrels for the week ended October 4 and over lingering demand concerns from China. The WTI closed the day 0.5% d/d lower, while Brent closed down 0.8% d/d.

FOMC minutes showed some push backs against the 50bps rate cut by Fed officials; the jumbo rate cut should not be interpreted as evidence of a less favorable economic outlook

- Key highlights from minutes to the latest FOMC meeting where the Fed lowered its Fed funds rate by 50bps to 4.75-5.00% include: 1) While substantial majority of participants supported lowering the target range by 50bps to help sustain the strength in the economy and the labor market, "some" argued that there had been a plausible case for a 25bps and a few

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	42,512.00	1.03
S&P 500	5,792.04	0.71
NASDAQ	18,291.62	0.60
Stoxx Eur 600	520.05	0.66
FTSE 100	8,243.74	0.65
Nikkei 225	39,277.96	0.87
CSI 300	3,955.98	-7.05
Hang Seng	20,637.24	-1.38
Straits Times	3,595.66	0.56
KLCI 30	1,634.91	-0.04
FX		
Dollar Index	102.93	0.37
EUR/USD	1.0939	-0.37
GBP/USD	1.3071	-0.25
USD/JPY	149.31	0.75
AUD/USD	0.6718	-0.39
USD/CNH	7.0927	0.27
USD/MYR	4.2815	-0.14
USD/SGD	1.3071	0.24
Commodities		
WTI (\$/bbl)	73.24	-0.45
Brent (\$/bbl)	76.58	-0.78
Gold (\$/oz)	2,606.00	-0.34
Copper (\$\$/MT)	9,675.00	-0.69
Aluminum(\$/MT)	2,541.00	-1.17
CPO (RM/tonne)	4,377.50	-0.14

Source: Bloomberg, HLBB Global Markets Research

* Dated as of 8 Oct for CPO

would have supported such a decision. Having that said, only 1 member ultimately voted to lower the target Fed funds rate by 25bps rather than 50bps. 2) “Several” participants noted that a 25bps reduction would be in line with a gradual path of policy normalization and “a few” added that this move could signal a more predictable path of policy normalization. 3) Participants emphasized that it was important to communicate that the recalibration of the stance of policy should not be interpreted as evidence of a less favorable economic outlook or as a signal that the pace of policy easing would be more rapid. 4) Amid some pushback in the jumbo rate cut and still resilient labour data, this suggests that the path of easing cycle will be gradual going forward and we are pencilling in only 25bps rate cut in each of the forthcoming meetings.

- Mortgage applications fell at a larger pace of 5.1% w/w for the week ended October 4 (prior: -1.3% w/w) as the 30Y fixed mortgage rates climbed to 6.36%, its highest since August. The refinance index plunged 9.3% w/w, while purchase applications slid 0.1% d/d (prior: -2.9% and +0.7% w/w).

RBNZ cut the OCR to 4.75%

- The Reserve Bank of New Zealand (RBNZ) cut the official cash rate (OCR) by 50bps to 4.75% as expected. This marks a stepped-up pace from 25bps previously, providing scope to further ease the level of monetary policy restrictiveness and future changes in rates would depend on its evolving assessment of the economy. The decision to cut rates by a larger pace was premised upon expectations that the inflation is converging on the 2% midpoint, while economic activity is subdued. Business investment and consumer spending have been weak, and employment conditions continue to soften. Some exporters, nonetheless have benefited from improved export prices, but slower economic growth for US and China as well as geopolitical tensions remain a significant headwind for external demand.

Flat producer prices for Japan; slower bank lending for the second month

- Data this morning showed that bank lending slowed for the second month to 2.7% y/y in September from +3.0% y/y previously, while producer prices unexpectedly accelerated to 2.8% y/y in September from 2.6% y/y previously. Prices were nonetheless unchanged on a m/m basis (Prior: -0.2% m/m), with a notable uptick in prices of rice and eggs, negated by declines in electricity and gas costs.

House View and Forecasts

FX	This Week	4Q-24	1Q-25	2Q-25	3Q-25
DX	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
10-Oct	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
11-Oct	MA Manufacturing Sales Value YoY (Aug)	9.10%
	MA Industrial Production YoY (Aug)	5.30%
	UK Monthly GDP (MoM) (Aug)	0.00%
	US PPI Ex Food and Energy YoY (Sep)	2.40%
	US U. of Mich. Sentiment (Oct P)	70.1

Source: Bloomberg

Hong Leong Bank Berhad

Fixed Income & Economic Research, Global Markets

Level 8, Hong Leong Tower

6, Jalan Damanlela

Bukit Damansara

50490 Kuala Lumpur

Tel: 603-2081 1221

Fax: 603-2081 8936

HLMarkets@hlbb.hongleong.com.my

DISCLAIMER

This report is for information purposes only and does not take into account the investment objectives, financial situation or particular needs of any particular recipient. The information contained herein does not constitute the provision of investment advice and is not intended as an offer or solicitation with respect to the purchase or sale of any of the financial instruments mentioned in this report and will not form the basis or a part of any contract or commitment whatsoever.

The information contained in this publication is derived from data obtained from sources believed by Hong Leong Bank Berhad ("HLBB") to be reliable and in good faith, but no warranties or guarantees, representations are made by HLBB with regard to the accuracy, completeness or suitability of the data. Any opinions expressed reflect the current judgment of the authors of the report and do not necessarily represent the opinion of HLBB or any of the companies within the Hong Leong Bank Group ("HLB Group"). The opinions reflected herein may change without notice and the opinions do not necessarily correspond to the opinions of HLBB. HLBB does not have an obligation to amend, modify or update this report or to otherwise notify a reader or recipient thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

HLB Group, their directors, employees and representatives do not have any responsibility or liability to any person or recipient (whether by reason of negligence, negligent misstatement or otherwise) arising from any statement, opinion or information, expressed or implied, arising out of, contained in or derived from or omission from the reports or matter.

Potential and actual conflict of interest may arise from the activities of HLB Group. HLB Group constitute a diversified financial services group. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, hedging transactions and other activities for their own account or the account of others. In the ordinary course of their business, HLB Group may effect transactions for their own account or for the account of their customers and hold long or short positions in the financial instruments. HLB Group, in connection with its business activities, may possess or acquire material information about the financial instruments. Such activities and information may involve or have an effect on the financial instruments. HLB Group have no obligation to disclose such information about the financial instruments or their activities.

The past performance of financial instruments is not indicative of future results. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Any projections or forecasts mentioned in this report may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information. No assurance can be given that any opinion described herein would yield favourable investment results. Recipients who are not market professional or institutional investor customer of HLBB should seek the advice of their independent financial advisor prior to taking any investment decision based on the recommendations in this report.

HLBB may provide hyperlinks to websites of entities mentioned in this report, however the inclusion of a link does not imply that HLBB endorses, recommends or approves any material on the linked page or accessible from it. Such linked websites are accessed entirely at your own risk. HLBB does not accept responsibility whatsoever for any such material, nor for consequences of its use.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. This report is for the use of the addressees only and may not be redistributed, reproduced or passed on to any other person or published, in part or in whole, for any purpose, without the prior, written consent of HLBB. The manner of distributing this report may be restricted by law or regulation in certain countries. Persons into whose possession this report may come are required to inform themselves about and to observe such restrictions. By accepting this report, a recipient hereof agrees to be bound by the foregoing limitations.