

11 July 2024

Global Markets Research

Daily Market Highlights

11 July: All eyes on US CPI and BNM's monetary policy decision today

**US equities rallied on tech stocks and dovish Fed outlook; UST yields and DXY closed slightly lower
GBP jumped after BOE's Pill flagged persistent inflation risk; NOK plunged after its soft CPI print
CNH weakened after China's CPI miss; Japan's core machine orders below estimates**

- The S&P 500 jumped 1.0% d/d to another fresh record, breaking above 5.6k for the first time and logging its longest rally since November. The rally in tech stocks led the market higher, while the slightly dovish testimony from Fed Chair Jerome Powell to the Congress also helped lift the bullish momentum. Nasdaq advanced 1.2% d/d, also hitting an all-time high while the Dow added 1.1% d/d. All the 11 sectors within the broad index gained, led by chip stocks like Apple and Nvidia.
- In Europe, France's CAC 40 index staged a cautious rebound as negotiations continued over the formation of a government, while Stoxx Eur 600 closed 0.9% d/d higher with most sectors ending in the green and led by retail. Asian markets closed mixed but are primed for an early gain today tracking Wall Street and futures.
- Treasuries were slightly firmer most of the sessions and closed in green, sending yields lower in tune to 1bps. The 2Y yields closed at 4.62% and the 10Y at 4.28%. 10Y European bond yields also slid 3-9bps.
- DXY was 0.1% d/d weaker at 105.05 on the slightly dovish Fed outlook, with G10 currencies closing mixed against USD. EUR (+0.2% d/d) and GBP (0.5% d/d) led gains against greenback, the latter after BOE's Chief Economist Huw Pill commented that inflation remains persistent, suggesting that he may not support an August rate cut. On the flipside, JPY (-0.2% d/d) and NOK (-1.2% d/d) were the worst performers amongst G10 currencies, the latter after its underlying inflation rate fell to its lowest in more than 2 years.
- Regional currencies also closed mixed within a narrow band of +/-0.2% d/d against greenback, with CNY depreciating 0.1% d/d after its CPI miss. Both the SGD and MYR closed 0.2% d/d stronger at 1.3489 and 4.6997 respectively, the latter expected to be cautiously traded ahead of BNM's monetary policy decision today where no change to both the rate and neutral policy tone is expected.
- Oil prices gained 0.5-0.9% d/d after an EIA report showed that demand for jet fuel and gasoline rose to their highest since 2019 and 2021 respectively, while inventories of motor fuel fell to its lowest in May during the US Independence Day holiday. Adding to the bullish sentiment for the WTI was lower crude inventories in the Cushing storage hub.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	39,721.36	1.09
S&P 500	5,633.91	1.02
NASDAQ	18,647.45	1.18
Stoxx Eur 600	516.42	0.91
FTSE 100	8,193.51	0.66
Nikkei 225	41,831.99	0.61
CSI 300	3,428.97	-0.32
Hang Seng	17,471.67	-0.29
Straits Times	3,459.93	0.99
KLCI 30	1,618.38	0.25
FX		
Dollar Index	105.05	-0.08
EUR/USD	1.0830	0.16
GBP/USD	1.2849	0.49
USD/JPY	161.69	0.22
AUD/USD	0.6747	0.09
USD/CNH	7.2924	0.05
USD/MYR	4.6997	-0.16
USD/SGD	1.3489	-0.15
Commodities		
WTI (\$/bbl)	82.10	0.85
Brent (\$/bbl)	85.08	0.50
Gold (\$/oz)	2,379.70	0.50
Copper (\$\$/MT)	9,905.00	0.36
Aluminum(\$/MT)	2,483.50	-0.52
CPO (RM/tonne)	4,015.00	-2.36

Source: Bloomberg, HLBB Global Markets Research

* Dated as of 9 July for CPO

Flattish US mortgage applications as rates remained around 7.00%

- Mortgage applications were essentially flat for the week ended July 5 (-0.2% w/w vs -2.6% w/w), as mortgage rates remained around 7.00%. Purchase activity picked up slightly, driven primarily by increases in Federal Housing Administration (FHA) applications and loans guaranteed by the Department of Veteran Affairs (VA). Refinance applications fell for the fourth consecutive week, in line with the higher rates as most borrowers do not

have much of an incentive to refinance at current rates.

Steady UK's home prices

- RICS House Price Balance unexpectedly held steady at -17% in June, although the market largely expecting it to improve to -15%. The latest data suggests a still subdued housing market, but key indicators suggest a slightly more promising outlook for sales activity across the UK following the general election and the prospect of a fall in mortgage rates. Key indicators also flagged risks of higher prices on affordability, as well as imbalance in the rental market with demand continuing to outstrip supply.

Australia's household spending intentions moderated slightly

- The CBA's Household Spending Insight eased slightly to 0.6% m/m and 3.9% y/y in June (May: +0.7% m/m and +4.0% y/y). Spending on discretionary items rose 0.3% m/m in June, the same increase seen for essentials, but remains choppy. There was also a difference in spending by home ownership status, with spending by renters sliding but those who own their homes rose.

Japan's core machine orders undershot expectations on non-manufacturing

- Core machinery orders unexpectedly weakened to -3.2% m/m in May (Apr: -2.9% m/m), mainly driven by non-manufacturing orders (-7.5% m/m vs +5.9% m/m) and specifically mining, real estate and telco, while the manufacturing sector rebounded 1.0% m/m (Apr: -11.3% m/m). Moving forward, while worries about the global and domestic economic outlook will continue to impact corporate sentiment, 2Q projection of -2.0% q/q (1Q: +4.4% q/q) suggest that capex spending will see a mild growth in June.

China's CPI missed expectation, deflationary risk persists

- China's inflation unexpectedly cooled to 0.2% y/y in June, while producer prices fell for the 21st straight month, falling 0.8% y/y and in-line with forecasts (May: +0.3% y/y and -1.4% y/y). Core CPI, which strips out more volatile food and energy prices, rose by 0.6% y/y in June, slightly slower than the 0.7% average logged in for the first six months of the year.
- Looking at the details of the prints, food prices were the main drag on inflation but also showed broad weakening in consumption. Car prices fell during the month, while services inflation also slowed, all suggesting that consumer demand remains weak and risk of deflation has not faded.

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
11-Jul	AU Consumer Inflation Expectation (Jul)	4.40%
	UK Monthly GDP (MoM) (May)	0.00%
	MA BNM Overnight Policy Rate	3.00%
	US CPI Ex Food and Energy YoY (Jun)	3.40%
	US Real Avg Weekly Earnings YoY (Jun)	0.50%
11-18 July	US Initial Jobless Claims	238k
	CH FDI YTD YoY CNY (Jun)	-28.20%
12-Jul	MA Manufacturing Sales Value YoY (May)	5.70%
	MA Industrial Production YoY (May)	6.10%
	US PPI Final Demand YoY (Jun)	2.20%
	US U. of Mich. Sentiment (Jul P)	68.2
	CH Exports YoY (Jun)	7.60%

Source: Bloomberg

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