

12 August 2024

Global Markets Research

Daily Market Highlights

12 Aug: A weekend respite from the volatility

Modest gains for the global equity markets; Treasuries closed mixed; DXY a shade weaker

China's price prints still flagged lingering signs of weak domestic demand

Quicker growth in export-oriented industries drove the manufacturing sector & IPI for Malaysia

- The global equity markets broadly closed the tumultuous week with modest gains last Friday. In the US, the 3 major indices closed up in tune to 0.1-0.5% d/d, led by gains in the technology sector and investors buying on dips on expectations that a recession was not on the horizon. Corporate earnings also provided a steadying hand, with Taiwan Semiconductor Manufacturing Co's American depository receipt and Expedia shares rallying after reporting higher revenue.
- Similarly, European markets recouped some of the week's losses. Stoxx Eur 600 closed up 0.6% d/d led by real estate, healthcare and leisure stocks. Asian markets were also mostly higher but are set for a mixed start this week following futures.
- Treasuries closed the week mixed (-6 to +2bps), with the 2Y yield closing up 2bps to 4.05% but the 10Y yield fell 5bps to 3.94%. 10Y European bond yields fell in tune to 2-6bps.
- In the forex market, DXY slid 0.1% d/d to 103.14, and the Dollar closed mixed against its G10 peers. JPY (0.4% d/d) strengthened the most against the greenback amongst its peers, GBP appreciated slightly by 0.1% d/d, while EUR and AUD were laggards, weakening between 0-0.2% d/d. On the regional front, most currencies strengthened against the Dollar save the HKD and IDR. MYR led gains against USD, appreciating to 4.4095 following the better-than-expected IPI data, before paring some of these gains to close 1.1% d/d stronger at 4.4240. SGD appreciated 0.1% d/d to 1.3239 while CNH strengthened 0.1% d/d after its price prints beat.
- In the commodity markets, crude oil prices rallied 0.6-0.9% d/d, supported by signs of resilience in the US labour markets and the halt in production in the Libyan oil field. Investors were also monitoring closely the geopolitical tensions between Iran and Israel as well as Ukraine and Russia.

China's price prints held steady or accelerated, but lingering signs of weak domestic demand

- In China, producer price inflation continued to contract but held steady at -0.8% y/y in July, while consumer inflation rose at a faster pace of +0.5% y/y (June +0.2% y/y). Largely driving the uptick for the latter were food prices as well as costs of education & tourism, the former due to severe weather conditions and the latter, due to a recovery in consumption demand, according to officials. We remain nonetheless sceptical for the latter given that core slowed to +0.4% y/y from +0.6% y/y, suggesting lingering weakness in domestic demand.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	39,497.54	0.13
S&P 500	5,344.16	0.47
NASDAQ	16,745.30	0.51
Stoxx Eur 600	499.19	0.57
FTSE 100	8,168.10	0.28
Nikkei 225	35,025.00	0.56
CSI 300	3,331.63	-0.34
Hang Seng	17,090.23	1.17
Straits Times	3,261.83	0.37
KLCI 30	1,596.05	0.36
FX		
Dollar Index	103.14	-0.07
EUR/USD	1.0917	-0.02
GBP/USD	1.2761	0.10
USD/JPY	146.61	-0.42
AUD/USD	0.6578	-0.23
USD/CNH	7.1744	-0.14
USD/MYR	4.4240	-1.10
USD/SGD	1.3239	-0.13
Commodities		
WTI (\$/bbl)	76.84	0.85
Brent (\$/bbl)	79.66	0.63
Gold (\$/oz)	2,432.10	0.41
Copper (\$\$/MT)	8,866.50	0.82
Aluminum(\$/MT)	2,301.50	1.21
CPO (RM/tonne)	3,833.50	-1.10

Source: Bloomberg, HLBB Global Markets Research
* Dated as of 8 Aug for CPO

Quicker growth in export-oriented industries drove the manufacturing sector & IPI for Malaysia

- Industrial production (IPI) came in a shade stronger than expected at +5.0% y/y in June, more than doubling from May's +2.4% as the manufacturing sector accelerated to +5.2% y/y (May: 4.6% y/y), while the mining sector also supported output with a rebound to 4.9% y/y (May: -6.9% y/y) thanks to a rebound in gas as well as crude oil & condensate production during the month. The electricity sector, meanwhile, grew at a more modest pace of +3.5% y/y (May: +4.5% y/y). Largely driving the uptick for the manufacturing sector was export oriented industries (+5.4% vs and +3.7% y/y). At +5.4% y/y, this marks the strongest growth since September 2022 and was largely in line with a positive manufactured goods exports for the same month (+6.4% y/y). Output for the domestic-oriented industries, on the other hand, was slightly softer by 4.6% y/y (prior: +6.4% y/y).
- The final revision to Malaysia's GDP will be released this week, and as it is, consensus is expecting the economy to grow at a strong rate of 5.8% y/y in 2Q, an uptick from 1Q's +4.2% y/y and the strongest growth since 4Q of 2022. We remain cautiously optimistic that the Malaysian economy would continue to expand at a moderate pace for the rest of the year, bringing full year GDP growth closer to the upper end of the official forecast range of 4-5%, at 4.9% for the whole of 2024. Recovery momentum has remained positive thus far, underpinned by anticipated expansion in both the domestic and external sectors. In addition to the upswing in the global tech cycle (global semiconductor sales: +19.3% y/y in May), steady growth globally (IMF: 3.2% in 2024 and +3.3% y/y in 2025) will bode well for Malaysian growth prospects going forward.

House View and Forecasts

FX	This Week	3Q-24	4Q-24	1Q-25	2Q-25
DXY	101-105	102.41	100.87	99.86	98.86
EUR/USD	1.08-1.11	1.11	1.12	1.10	1.08
GBP/USD	1.26-1.29	1.29	1.30	1.30	1.29
USD/JPY	144-150	145	143	140	137
AUD/USD	0.64-0.68	0.66	0.66	0.67	0.68
USD/MYR	4.43-4.51	4.50	4.40	4.35	4.30
USD/SGD	1.31-1.34	1.33	1.32	1.30	1.28

Rates, %	Current	3Q-24	4Q-24	1Q-25	2Q-25
Fed	5.25-5.50	5.00-5.25	4.50-4.75	4.25-4.50	4.00-4.25
ECB	3.75	3.50	3.25	3.00	2.75
BOE	5.00	5.00	4.75	4.50	4.25
BOJ	0.25	0.25	0.25	0.40	0.40
RBA	4.35	4.35	4.35	4.10	3.85
BNM	3.00	3.00	3.00	3.00	3.00

Source: HLBB Global Markets Research

Up Next

Date	Events	Prior
12-Aug	US NY Fed 1-Yr Inflation Expectations (Jul)	3.02%
13-Aug	JN PPI YoY (Jul)	2.90%
	SI GDP YoY (2Q F)	2.90%
	AU Westpac Consumer Conf SA MoM (Aug)	-1.10%
	AU Wage Price Index YoY (2Q)	4.10%
	AU NAB Business Confidence (Jul)	4
	UK Weekly Earnings ex Bonus 3M/YoY (Jun)	5.70%
	UK ILO Unemployment Rate 3Mths (Jun)	4.40%

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

EC ZEW Survey Expectations (Aug)	43.7
US NFIB Small Business Optimism (Jul)	91.5
US PPI Final Demand YoY (Jul)	2.60%

Source: Bloomberg

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