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Global Markets Research

Daily Market Highlights

14 Aug: All eyes on US and UK's CPIs today

UST yields and DXY tumbled following the tamer than expected producer prices in the US

GBP strengthened amid still resilient labour market; wage growth slowed to 2Y low

Crude oil prices slid on prospects of crude oil surplus next quarter

- Global equity markets and Treasuries rallied after fresh US PPI data reaffirmed expectations that Fed could start cutting rates next month and deliver a total of 100bps rate cuts by end year. Led by Nasdaq, all the 3 major indices rallied in tune to 1.0-2.4% d/d after the latest PPI print came in a shade lower than expected at +0.1% m/m. Earnings released during the day were mixed, while among individual stocks, Home Depot cut its profit outlook for the year and Starbucks shares rallied after the coffee chain replaced its CEO with Chipotle's boss.
- The softer than expected PPI print in the US also lifted appetite for European stocks. Stoxx Eur 600 closed up 0.5% d/d, with major bourses and most sectors in positive territory, the latter led by healthcare, utilities and real estate stocks. In Asia, Nikkei 225 rose sharply by 3.5% d/d, leading gains in mixed regional markets. Asian markets are poised to open higher today following the US' rally overnight.
- In the Treasury market, yields tumbled 4-9bps across the curve led by the shorter-tenure following the release of the PPI print. The 2Y fell 9bps to 3.93% and the 10Y slid 6bps to 3.84%. 10Y European bond yields fell 3-7bps overnight.
- In the forex market, investors took a bearish stance ahead of the US CPI today and amid lower UST yields. The DXY tumbled 0.6% d/d to 102.56 and the Dollar weakened against all its G10 peers. GBP appreciated 0.7% d/d against the Dollar amid signs of a resilient labour market. Regional currencies also strengthened against USD save the TWD. IDR, PHP and SGD led gains against the Dollar in tune to 0.5-0.7% d/d, the latter after the government sees its 2024 GDP growth at the upper half of its initial forecast. MYR strengthened 0.2% d/d to close at 4.4472.
- Crude oil prices broke its rally and settled 2.0-2.1% d/d lower as prospects of crude surplus eclipsed concerns over the brewing geopolitical tension in the Middle East. For the former, data from the International Energy Agency showed the global oil market could swing from a deficit to a surplus next quarter if OPEC+ proceed with its plan to boost supplies.

Softer-than-expected PPI for the US on services

- Producer prices (PPI) rose less-than-expected in July amid its first decline in services costs, opening the door further for the Fed to start lowering its policy rates. Headline PPI unexpectedly eased to +0.1% m/m, while core-PPI was flat (June: +0.2% m/m vs +0.3% m/m). On a y/y basis, both headline and core moderated to +2.2% y/y and +2.4% y/y respectively, sharply lower than the prior month's +2.7% y/y and +3.0% y/y. The wholesale inflation reading was relatively tame despite a 0.6% m/m jump in final demand goods prices

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	39,765.64	1.04
S&P 500	5,434.43	1.68
NASDAQ	17,187.61	2.43
Stoxx Eur 600	501.66	0.52
FTSE 100	8,235.23	0.30
Nikkei 225	36,232.51	3.45
CSI 300	3,334.39	0.26
Hang Seng	17,174.06	0.36
Straits Times	3,258.57	0.72
KLCI 30	1,609.52	0.18
FX		
Dollar Index	102.56	-0.56
EUR/USD	1.0993	0.57
GBP/USD	1.2862	0.72
USD/JPY	146.84	-0.25
AUD/USD	0.6634	0.73
USD/CNH	7.1479	-0.42
USD/MYR	4.4472	-0.15
USD/SGD	1.3176	-0.51
Commodities		
WTI (\$/bbl)	78.35	-2.14
Brent (\$/bbl)	80.69	-1.96
Gold (\$/oz)	2,466.70	0.17
Copper (\$\$/MT)	8,958.50	-0.75
Aluminum(\$/MT)	2,332.00	1.15
CPO (RM/tonne)	3,864.00	0.40

Source: Bloomberg, HLBB Global Markets Research

* Dated as of 12 Aug for CPO

due to gasoline. Countering this was the 0.2% m/m fall in services costs, due to margins for machinery and vehicles wholesaling.

- Despite this, cost pressures, especially labor costs, continue to plague small business operations. Consequently, although the NFIB Small Business Optimism Index unexpectedly rose to its highest reading since February 2022 to 93.7 in July (June: 91.5), the index at this level remains below its 50Y average.

Eurozone's investor sentiment fell sharply

- The ZEW Survey Expectations for the Eurozone fell sharply to 17.9 in August (Jul: 43.7). The last time the indicator experienced a steeper decline was April 2020, while investor sentiment in Germany also fell steeply by 22.6 points to 19.2. The downtick for the export-intensive German sentiment was largely underpinned by weaker economic outlook for the US and China, ambiguous monetary policy outlook and growing concerns over an escalation in conflict in the Middle East.

UK labour indicators remained resilient; wage growth eased sharply partially due to high base

- In a sign of labour market resilience, UK created more jobs than expected in July (+24k vs +14K) and the unemployment rate unexpectedly dropped to 4.2% for the 3 months ended June (prior: 4.4%). Separate data also showed that wage growth cooled to 5.4%, matching expectations but slowing from 5.8% previously and its weakest y/y increase since summer 2022.
- Nonetheless, the sharp drop was partially due to high base effects where June 2023's print was inflated by pay settlements made in the health sector and as such, unlikely to assuage lingering concerns over strong wage growth keeping prices elevated. In fact, BOE's Catherine Mann warned as recently as this week, that an "upward ratchet" in wages will "take a long time to erode away." As it is, the market is pencilling in a 25bps rate cut by November's monetary policy meeting.

Australia's wage growth remains elevated, consumer confidence rebounded; mixed prints on the business front

- A slew of favourable consumer prints from Australia that will most likely support recent RBA Governor's comments that rate cuts are unlikely this year. Wage growth remained elevated in 2Q and unexpectedly held unchanged at 4.1% y/y, driven by the newly synchronised timing of public sector agreement increases which took effect 14 March and will most likely keep inflation pressures persistent. Consumer sentiment also ticked up to 2.8% m/m in August from -1.1% m/m previously as consumers were less worried about further interest rate increases and amid clearer signs of support from tax cuts and fiscal measures.
- Indicators on the business front were nonetheless mixed. The NAB business conditions index rose 2 points to +6 but still remains below its long-run average, reflecting the slowing Australian economy but business conditions fell 2 points to +1.

House View and Forecasts

FX	This Week	3Q-24	4Q-24	1Q-25	2Q-25
DX	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
14-Aug	UK CPI Core YoY (Jul)	3.50%
	UK PPI Output NSA YoY (Jul)	1.40%
	UK House Price Index YoY (Jun)	2.20%
	EC GDP SA QoQ (2Q P)	0.30%
	EC Employment QoQ (2Q P)	0.30%
	US MBA Mortgage Applications	6.90%
	US Real Avg Weekly Earnings YoY (Jul)	0.60%
15-Aug	US CPI Ex Food and Energy YoY (Jul)	3.30%
	AU CBA Household Spending MoM (Jul)	0.60%
	JN GDP Annualized SA QoQ (2Q P)	-1.80%
	AU Consumer Inflation Expectation (Aug)	4.30%
	CH 1-Yr Medium-Term Lending Facility Rate	2.30%
	CH New Home Prices MoM (Jul)	-0.67%
	AU Unemployment Rate (Jul)	4.10%
	CH Industrial Production YTD YoY (Jul)	6.00%
	CH Retail Sales YTD YoY (Jul)	3.70%
	CH Fixed Assets Ex Rural YTD YoY (Jul)	3.90%
	CH Surveyed Jobless Rate (Jul)	5.00%
	UK GDP QoQ (2Q P)	0.70%
	US Empire Manufacturing (Aug)	-6.6
	US Retail Sales Advance MoM (Jul)	0.00%
	US Philadelphia Fed Business Outlook (Aug)	13.9
	US Initial Jobless Claims	233k
	US Import Price Index YoY (Jul)	1.60%
	US Industrial Production MoM (Jul)	0.60%
	US NAHB Housing Market Index (Aug)	42

Source: Bloomberg

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