14 October 2024

Global Markets Research
Daily Market Highlights

14 Oct: MAS maintained policy stance after upbeat 3Q growth

USTs closed mixed; DXY inched down following dips in consumer confidence and PPI
GBP strengthened after the UK economy resumed growth after 2 months of stagnation
China to increase debt to revive economic growth; CPI and PPI softer than expected

- The S&P 500 and Dow Jones notched another record last Friday after strong earnings from banking giants JP Morgan and Wells Fargo lifted an already rising investor sentiment. The broad index gained 0.6% d/d, while the Dow rallied 1.0% d/d. Nasdaq also added 0.3% d/d. European stocks also closed in the green after data showed that the UK economy returned to growth in August, but CSI 300 dropped almost 3.0% d/d and led declines in Asian markets ahead of its key policy briefing over the weekend. Asian investors are expected to stay cautious today after the briefing disappointed.
- Treasuries closed mixed in a curve steepener, as the front-end outperformed after the dip in PPI and consumer sentiment data. The 2Y yield closed just below the flatline at 3.96%, while the 10Y rose 4bps to 4.10%. Trading in the European markets was mostly muted in the absence of key economic data, closing up between 0-7bps for the 10Y sovereign bonds. Yields to the 10Y gilts, nonetheless, closed just below the flatline at 4.21% following the release of its GDP data.
- DXY tested 102.99 before drifting down to close 0.1% d/d lower at 102.89. Moves amongst most G10 currencies were largely muted, and most of the G10 currencies strengthened against USD save for the CHF, CAD and JPY (+/-0.5% d/d). CAD weakened 0.2% d/d even after its unemployment rate unexpectedly fell, GBP strengthened 0.1% d/d after data showed that the UK economy returned to growth, while EUR closed flattish after France unveiled its 2025 Budget. Regional currencies mostly appreciated against the greenback led by THB, IDR and PHP. CNH, MYR and SGD appreciated 0.1-0.2% d/d to close at 7.0711. 4.2887 and 1.3038 respectively.
- Crude oil prices eased between 0.4-0.5% d/d in a day of choppy trade. as investors await Israel's government decision on Iran's retaliation plan and potential roll-out of more stimulus from China.

Consumer sentiment dipped in the US; while PPI eased

- Producer prices (PPI) was unchanged m/m in September (prior: +0.2% m/m) while core, which strips of the volatile foods, energy, and trade services inched up 0.1% m/m after rising 0.2% m/m previously. On a y/y basis, headline prices came slightly above consensus forecast at +1.8% y/y (prior: +1.9% y/y), while core eased to 3.2% y/y from 3.3% y/y the prior month. The deceleration in prices was largely due to a 0.2% m/m decline in prices of goods, which offset the 0.2% m/m uptick in services, the latter mainly due to deposit services.
- University of Michigan Sentiment index unexpectedly fell to 68.9 in October from 70.1 the previous month. The index is however, still 8% higher on a y/y basis as consumers continue to express frustration over high prices. Still, long

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	42,863.86	0.97
S&P 500	5,815.03	0.61
NASDAQ	18,342.94	0.33
Stoxx Eur 600	521.98	0.55
FTSE 100	8,253.65	0.19
Nikkei 225	39,605.80	0.57
CSI 300	3,887.17	-2.77
Hang Seng	21,251.98	2.98
Straits Times	3,573.76	-0.32
KLCI 30	1,633.55	-0.45
FX		
Dollar Index	102.89	-0.10
EUR/USD	1.0937	0.03
GBP/USD	1.3067	0.06
USD/JPY	149.13	0.38
AUD/USD	0.6750	0.16
USD/CNH	7.0711	-0.19
USD/MYR	4.2887	-0.09
USD/SGD	1.3048	-0.06
Commodities		
WTI ($/bbl)	75.56	-0.38
Brent ($/bbl)	79.04	-0.45
Gold ($/oz)	2,657.60	1.41
Copper ($$/MT)	9,791.50	0.70
Aluminum($/MT)	2,632.50	1.80
CPO (RM/tonne)	4,384.00	-0.01

Source: Bloomberg, HLBB Global Markets Research
** Dated as of 10 Oct for CPO, Hang Seng*

run business conditions lifted to its highest reading in 6-months, while current and expected personal finances both softened slightly.

The UK economy grew slightly after 2 months of stagnation; driven by the production sector

- After two consecutive months of stagnation and a relief to Prime Minister Keir's new government, the UK economy grew 0.2% m/m in August as per consensus forecast. The figure leaves the economy on course for growth in 3Q, albeit at a more modest pace as compared to 1H, and will continue to be supported by rising real incomes and potentially government spending on investment to support consumers and businesses, who turned cautious after warnings of "painful" budget at the end of the month. The uptick was primarily driven by a rebound in the production sector (+0.5% m/m vs -0.7% m/m), while services and construction output held steady at 0.1% m/m and +0.4% m/m respectively.

China vowed to increase debt to revive economic growth, but lacked detailed measures; CPI and PPI weaker than expected

- In a sign of weak domestic demand and longest period of deflation since the 1990s, China's consumer (CPI) and producer price inflation (PPI) were weaker than expected at +0.4% y/y and -2.8% y/y respectively (Prior: +0.6% y/y and -1.8% y/y). Without a bigger gain in food prices due to adverse weather conditions, inflation would have even been weaker (core: +0.1% y/y vs +0.3% y/y), reiterating the need for more fiscal stimulus boost from the government.
- China's Minister of Finance Lan Fo'an said that China will increase its government debt issuance and fiscal deficit to revive its sputtering economic growth, but noted such policies are still under discussion. The finance ministry outlined some policy measures which includes allowing local governments to use special bonds for unsold home purchases and expanding the sectors eligible to receive funding support from the issuance of special local bonds. He added that authorities are considering plans to reduce real estate-related taxes but did not provide any specific details on this.

Singapore maintained its policy stance; 3Q GDP beat forecasts on manufacturing

- MAS maintained the prevailing rate of appreciation of the S$NEER policy band. There will be no change to its width and the level at which it is centred. In the accompanying statement, MAS said that growth momentum has picked up and the negative output gap is projected to close in 2H. Barring a weakening in global final demand, the economy should continue to expand at a steady pace and keep close to its potential path in 2025. Core Inflation has stepped down but is anticipated to decline further to around 2.0% by the end of 2024.
- Singapore's GDP accelerated more than expected to 2.1% q/q and 4.1% y/y in 3Q (2Q: +0.4% q/q and +2.9% y/y), primarily driven by a rebound in the manufacturing sector, while the construction and services sectors eased slightly. Moving forward, economic growth should be sustained for the rest of 2024 driven by the ongoing upswing in the electronics and trade cycles as well as the easing in global financial conditions.

Production and wholesale & retail sales lost steam for Malaysia

- Industrial Production Index (IPI) snapped a two-month pick-up to increase at a slower pace of 4.1% y/y in August, in line with our view for a deceleration but bucked market expectation for a continuous uptick. The slower expansion was due to slower growth in manufacturing (+6.5% vs +7/7% y/y) and electricity (+4.1% vs +7.0% y/y), as well as deeper contraction in mining (-6.4% vs -5.0% y/y) as both natural gas and crude oil saw extended declines. In line with the moderation in IPI growth, manufacturing sales also grew at a softer pace of 7.7% y/y in August (Jul: +9.1% y/y).

- The wholesale & retail trade continued to expand albeit at a slower pace of 4.7% y/y in August (Jul: +6.7% y/y), marking its slowest growth pace since Dec-21. This raised concerns if domestic demand has lost steam. Wholesale trade grew more slowly by3.7% y/y (Jul: +5.5% y/y), retail sales (+5.9% vs +6.4% y/y) and motor vehicles (+4.1% vs +12.2% y/y).
- A separate release reaffirmed a healthy labour market that would continue to spur private consumption going forward. The number of employed continued to register a steady increase of 0.2% m/m in August while the labour force also sustained a 0.1% m/m increase. Meanwhile, the number of unemployed continued to decline for a 3rd straight month (-0.9% vs -0.3% m/m) to 558.5k. As a result, the unemployment rate improved to 3.2%, after holding steady at 3.3% for the past 9th consecutive month.

House View and Forecasts

FX	This Week	4Q-24	1Q-24	2Q-25	3Q-25
DXY	101-105	101.56	100.54	99.53	99.04
EUR/USD	1.08-1.11	1.11	1.12	1.13	1.14
GBP/USD	1.29-1.32	1.33	1.35	1.36	1.37
USD/JPY	145-151	146	142	138	135
AUD/USD	0.66-0.69	0.68	0.69	0.70	0.71
USD/MYR	4.25-4.34	4.25	4.20	4.15	4.10
USD/SGD	1.29-1.32	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
14-Oct	CH Exports YoY (Sep)	8.70%
15-Oct	UK Average Weekly Earnings 3M/YoY (Aug)	4.00%
	UK ILO Unemployment Rate 3Mths (Aug)	4.10%
	EC ZEW Survey Expectations (Oct)	9.3
	EC Industrial Production SA MoM (Aug)	-0.30%
	US Empire Manufacturing (Oct)	11.5
	US NY Fed 1-Yr Inflation Expectations (Sep)	3.00%
15-25 Oct	CH 1-Yr Medium-Term Lending Facility Rate	2.00%

Source: Bloomberg

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