

16 July 2024

**Global Markets Research**
**Daily Market Highlights**
**16 July: “Trump trade” lifted Wall Street**

**Powell: Recent data raises confidence that CPI is on track to 2%; won't wait until 2% before cutting rates**  
**UST yields higher on expectations of Trump's tariffs and tax cuts; DXY firmer after Powell's comments**  
**CNH closed flattish after China 2Q GDP trailed estimates and PBoC pause; all eyes on the Third Plenum**

- It was the return to “Trump trades” in Wall Street as traders bet that the unsuccessful assassination attempt on former President Donald Trump will lead to big gains for the fiscal and tariff friendly Republican at the polls in November. The 3 major US indices gained 0.3-0.5% d/d, with shares aligned to Trump and his policies, like Tesla and Trump Media & Technology, soaring. Investors also chewed on favourable earnings from Blackrock and Goldman Sachs, as well as comments from Fed Chair Jerome Powell, who said that recent data raises confidence inflation is on path to 2% and that the Fed won't wait until inflation is down to 2% before cutting rates.
- In contrast, most European and Asian markets started the week lower, the latter weighed down by China's GDP miss and the former weighed down by lower earnings from luxury giants like Burberry and Swatch. Stoxx Eur 600 slid 1.0% d/d, while Hang Seng lost 1.5% d/d.
- Treasury yields rose, led by longer-dated bonds, in anticipation that the second Trump administration could feature tariffs, tax cuts, increased spending and inflation. The 10Y yield rose 5bps to 4.23%, while the 2Y increased at a slightly softer pace of 1bps to 4.46%. 10Y European bond yields, on the other hand, fell 1-5bps.
- DXY whipsawed as Powell spoke, falling to its session low of 104.03 before reversing its losses to close the day mildly stronger at 104.19 (+0.1% d/d). All the G10 currencies weakened against the Dollar, led by NOK (-1.1% d/d), SEK (-0.9% d/d) and NZD (-0.7% d/d). Similarly, regional currencies also depreciated against greenback save for the HKD. CNH closed flattish at 7.2746 after the disappointing China GDP, MYR also closed just below the flatline at 4.6735 while SGD weakened by 0.2% d/d to 1.3438.
- Oil prices closed modestly lower between 0.2-0.4% d/d, amidst signs of muted consumption from China after its disappointing 2Q GDP print.

**China's 2Q GDP trailed estimates at 4.7% y/y; PBoC maintained 1Y MLF rates**

- GDP growth slowed more than expected and logged its weakest growth in five quarters at +4.7% y/y in 2Q (1Q: +5.3% y/y). On a quarter-on-quarter basis, growth also slowed by more than half to +0.7% q/q (1Q: +1.6% q/q), adding more pressures on Beijing to boost confidence and stimulus measures in face of the darker outlook and as leaders meet for Third Plenum. The economy, nonetheless, grew 5.0% y/y in 1H and is in line with Beijing's annual target of 5.0% this year as well as IMF's forecast for the year.
- While the NBS partially attributed the dip to short-term factors like extreme weather, economic recovery remains choppy and lopsided, with the biggest surprise coming from how weak consumer spending. Retail sales grew at its slowest pace since 2022 at 2.0% y/y in June (May and YTD +3.7% y/y) despite Government's “replacement” scheme for old vehicles and home appliances

**Key Market Metrics**

	Level	d/d (%)
<b>Equities</b>		
Dow Jones	40,211.72	0.53
S&P 500	5,631.22	0.28
NASDAQ	18,472.57	0.40
Stoxx Eur 600	518.73	-1.02
FTSE 100	8,182.96	-0.85
Nikkei 225	41,190.68	-2.45
CSI 300	3,476.25	0.11
Hang Seng	18,015.94	-1.52
Straits Times	3,499.89	0.06
KLCI 30	1,629.82	0.66
<b>FX</b>		
Dollar Index	104.19	0.09
EUR/USD	1.0894	-0.12
GBP/USD	1.2968	-0.15
USD/JPY	158.06	0.15
AUD/USD	0.6760	-0.35
USD/CNH	7.2746	0.03
USD/MYR	4.6735	0.04
USD/SGD	1.3438	0.22
<b>Commodities</b>		
WTI (\$/bbl)	81.91	-0.36
Brent (\$/bbl)	84.85	-0.21
Gold (\$/oz)	2,428.90	0.34
Copper (\$\$/MT)	9,806.00	-0.72
Aluminum(\$/MT)	2,461.50	-0.79
CPO (RM/tonne)	4,012.50	0.30

Source: Bloomberg, HLBB Global Markets Research  
 \* Dated as of 12 July for CPO

and a still sturdy labour market with jobless rate holding steady at 5.0% for a third month in a row.

- At the same time of the release, the People’s Bank of China (PBoC) decided to maintain the 1Y medium-term lending facility rate (MLF) unchanged at 2.50% with the weak yuan largely contributing to this status quo. In anticipation of a narrowing interest rate differentials between the US and China, subdued inflation (IMF expects core inflation to average 1% in 2024) and output below potential, we therefore believe that there is scope for further monetary policy easing going forward to spur domestic demand if need to, while greater exchange rate flexibility would also help to reduce deflation risks.

#### Contractionary manufacturing sector in the New York region

- Business activity continued to decline modestly in New York State, with the Empire State Manufacturing Survey index worsening slightly to -6.6 in July (June: -6.0). The index was, nonetheless, better than consensus forecast and firms were fairly optimistic that conditions would improve in the months ahead. The new orders sub-index remained steady, employment conditions continued to contract while prices increased modestly.

#### Eurozone’s IPI suggests that the manufacturing sector has yet to turn the corner

- Although better than forecast, industrial production (IPI) declined the most since January by 0.6% m/m in May (Apr: 0%) as the German-led (-2.4% m/m and +0.4% m/m) malaise continued to weigh on economic revival for the region and suggesting that the manufacturing sector remains poor. Output fell across the board, with the exception of energy and non-durable consumer goods.

#### House View and Forecasts

FX	This Week	3Q-24	4Q-24	1Q-25	2Q-25
DXY	103-106	104.28	102.71	101.69	100.67
EUR/USD	1.07-1.10	1.08	1.09	1.08	1.06
GBP/USD	1.27-1.31	1.28	1.29	1.28	1.28
USD/JPY	156-161	158	155	151	148
AUD/USD	0.66-0.69	0.67	0.68	0.69	0.69
USD/MYR	4.64-4.70	4.66	4.60	4.54	4.50
USD/SGD	1.33-1.36	1.34	1.33	1.32	1.30

Rates, %	Current	3Q-24	4Q-24	1Q-25	2Q-25
Fed	5.25-5.50	5.25-5.50	5.00-5.25	4.75-5.00	4.50-4.75
ECB	3.75	3.50	3.25	3.00	2.75
BOE	5.25	5.00	4.75	4.50	4.25
BOJ	0 - 0.10	0.10-0.20	0.10- 0.20	0.20- 0.30	0.20-0.30
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
16-Jul	EC ZEW Survey Expectations (Jul)	51.3
	EC Trade Balance SA (May)	19.4b
	US New York Fed Services Business Activity (Jul)	-4.7
	US Retail Sales Advance MoM (Jun)	0.10%
	US Import Price Index YoY (Jun)	1.10%
	US NAHB Housing Market Index (Jul)	43
17-Jul	AU Westpac Leading Index MoM (Jun)	-0.01%
	SI Non-oil Domestic Exports YoY (Jun)	-0.10%

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UK CPI Core YoY (Jun)	3.50%
UK PPI Output NSA YoY (Jun)	1.70%
UK House Price Index YoY (May)	1.10%
EC CPI Core YoY (Jun F)	2.90%
US MBA Mortgage Applications	-0.20%
US Housing Starts MoM (Jun)	-5.50%
US Building Permits MoM (Jun)	-3.80%
US Industrial Production MoM (Jun)	0.90%

Source: Bloomberg

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