

16 October 2024

## Global Markets Research

### Daily Market Highlights

## 16 Oct: Volatility persists with US corporate earnings reporting

**Equities weighed down by chip stocks; UST yields fell post weak Empire Manufacturing data**  
**USD closed mixed vs G10 peers; AUD weighed down by yuan weakness, lower oil prices**  
**GBP closed stronger following mixed labour data from the UK; all eyes on CPI today**

- US stocks tumbled and took a breather overnight amid profit taking from Monday's record high, with weakness in oil prices weighing on energy stocks and from a sell-off in tech stocks after ASML's CEO warned of "cautiousness" among customers and said that sales could come at the lower end of its forecasts. Financial stocks nonetheless gained, after another round of solid results from the Bank of America and Goldman Sachs. All in, the Dow and S&P 500 lost 0.8% d/d each, while Nasdaq slid 1.0% d/d.
- Elsewhere, European markets also closed lower following the tumble in energy and chip stocks, while Asian equities closed mixed. CSI 300 and Hang Seng sank 2.7% d/d and 3.7% d/d after the disappointing trade data. Amid the selloff in US tech stocks overnight and tracking futures, we thus, expect Asian markets to retreat today.
- In the bond space, Treasury yields fell 1-9bps across the curve following the weaker than expected Empire Manufacturing data. The 2Y yield dipped 1bps to 3.95%, while the 10Y fell 7bps to 4.03%. 10Y European bond yields also fell 5-8bps, after trading mixed the prior day (-1 to +3bps).
- In the forex space, DXY closed just below the flatline at 103.26 and the Dollar traded mixed against its G10 peers. AUD (-0.3% d/d) led losses against the greenback in line with yuan weakness and lower oil prices, while EUR remained on the back foot, hitting its lowest level since early at 1.0893, and ahead of the ECB meeting this week. As it is, consensus is expecting the central bank to deliver a 25bps rate cut at this meeting. GBP strengthened 0.1% d/d as the mixed labour data sent traders unsure if BOE will deliver another rate cut in November. Meanwhile, regional currencies weakened against the USD save the JPY (+0.4% d/d) and INR. CNH depreciated by 0.6% d/d, while MYR and SGD weakened at a slightly softer pace of 0.3% d/d and 0.1% d/d respectively.
- In the commodity market, crude oil prices fell more than 4% d/d after US officials said that Israel had assured the Biden administration that it will plan to limit its retaliatory strikes in Iran to military targets.

#### 1Y inflation expectations held steady in the New York district, manufacturing sector turned contractionary

- In New York, 1Y median inflation expectations held steady at 3.0% in September, but accelerated to 2.7% and 2.9% for the 3Y and 5Y tenure (prior: +2.5% and 2.8%). Meanwhile, business activity in the manufacturing sector worsened more than expected and turned contractionary, as reflected by the Empire State Manufacturing index plunging 23 points to -11.9. Despite the weakness in general business conditions, optimism over the 6-month outlook grew strongly.

#### Key Market Metrics

|                    | Level     | d/d (%) |
|--------------------|-----------|---------|
| <b>Equities</b>    |           |         |
| Dow Jones          | 42,740.42 | -0.75   |
| S&P 500            | 5,815.26  | -0.76   |
| NASDAQ             | 18,315.59 | -1.01   |
| Stoxx Eur 600      | 520.57    | -0.80   |
| FTSE 100           | 8,249.28  | -0.52   |
| Nikkei 225         | 39,910.55 | 0.77    |
| CSI 300            | 3,856.00  | -2.66   |
| Hang Seng          | 20,318.79 | -3.67   |
| Straits Times      | 3,595.47  | -0.01   |
| KLCI 30            | 1,641.97  | 0.33    |
| <b>FX</b>          |           |         |
| Dollar Index       | 103.26    | -0.04   |
| EUR/USD            | 1.0893    | -0.15   |
| GBP/USD            | 1.3074    | 0.11    |
| USD/JPY            | 149.20    | -0.37   |
| AUD/USD            | 0.6703    | -0.34   |
| USD/CNH            | 7.1354    | 0.56    |
| USD/MYR            | 4.3100    | 0.30    |
| USD/SGD            | 1.3093    | 0.06    |
| <b>Commodities</b> |           |         |
| WTI (\$/bbl)       | 70.58     | -4.40   |
| Brent (\$/bbl)     | 74.25     | -4.14   |
| Gold (\$/oz)       | 2,661.40  | 0.51    |
| Copper (\$\$/MT)   | 9,530.50  | -1.34   |
| Aluminum(\$/MT)    | 2,570.50  | -0.91   |
| CPO (RM/tonne)     | 4,401.50  | -0.10   |

Source: Bloomberg, HLBB Global Markets Research  
 \* Dated as of 14 Oct for CPO

#### **Eurozone's IPI surged, investor's sentiment improved**

- Industrial output (IPI) matched expectations to rebound to 1.8% m/m in August (prior: -0.5% m/m). While this will lend some support for 3Q growth, expectations are that the industry will remain soft for the rest of the year, underpinned by labour shortages, supply chain and global economic uncertainties. As such, there is no change in consensus's view that ECB may deliver a 25bps rate cut in its monetary policy meeting this week.
- The ZEW Survey Expectations index improved to 20.1 in October from 9.3 previously, supported by a rebound in financial market experts' sentiment towards Germany (13.1 vs 3.6), the latter reflecting expectations of stable inflation rates, prospect of further interest rate cuts by the ECB as well as positive signs from its key export markets.

#### **UK's wage growth slowed; unemployment rate eased**

- Indicators were mixed, suggesting easing tightness but a still resilient labour market in the UK. This should support continued moderation in pay growth, but unlikely to tip BOE to deliver faster rate cuts going forward. The number of payrolled employees fell more than expected by 15k m/m in September (prior: -35k), while unemployment rate unexpectedly eased to 4.0% for the 3-months ended August from 4.1% previously. Average weekly earnings ex-bonus also eased to 4.9% y/y for the same period, with annual growth in pay highest for wholesale & retail sectors and lowest for transportation & storage.

#### **Australia's leading index rebounded on improved consumer sentiment**

- Data this morning showed that the Westpac Leading Index rebounded 0.03% m/m in September following August's -0.01% m/m blip, primarily supported by a rebound in the consumer sentiment as well as an acceleration in US IPI sub-indices.

#### **Japan's core machine orders fell for the second month**

- In Japan, core machine orders, a proxy for investment, came below street estimates and fell 1.9% m/m in August (Prior: -0.1% m/m). This marks the second month of contraction, primarily driven by a contraction in orders from the non-manufacturing sector (-7.7% m/m vs +7.5% m/m). Orders from the manufacturing sector also fell, albeit at a slower pace of 2.5% m/m.

#### **House View and Forecasts**

| <b>FX</b> | <b>This Week</b> | <b>4Q-24</b> | <b>1Q-25</b> | <b>2Q-25</b> | <b>3Q-25</b> |
|-----------|------------------|--------------|--------------|--------------|--------------|
| 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         |

  

| <b>Rates, %</b> | <b>Current</b> | <b>4Q-24</b> | <b>1Q-25</b> | <b>2Q-25</b> | <b>3Q-25</b> |
|-----------------|----------------|--------------|--------------|--------------|--------------|
| 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  |
|--------|--|--------|
| 16-Oct | UK CPI Core YoY (Sep)                            | 3.60%  |
|        | UK PPI Output NSA YoY (Sep)                      | 0.20%  |
|        | UK House Price Index YoY (Aug)                   | 2.20%  |
|        | US MBA Mortgage Applications                     | -5.10% |
|        | US New York Fed Services Business Activity (Oct) | 0.5    |
| 17-Oct | US Import Price Index YoY (Sep)                  | 0.80%  |
|        | JN Exports YoY (Sep)                             | 5.60%  |
|        | AU Employment Change (Sep)                       | 47.5k  |
|        | AU Unemployment Rate (Sep)                       | 4.20%  |
|        | SI Non-oil Domestic Exports YoY (Sep)            | 10.70% |
|        | EC Trade Balance NSA (Aug)                       | 21.2b  |
|        | EC CPI Core YoY (Sep F)                          | 2.70%  |
|        | EC ECB Deposit Facility Rate                     | 3.50%  |
|        | US Retail Sales Advance MoM (Sep)                | 0.10%  |
|        | US Philadelphia Fed Business Outlook (Oct)       | 1.7    |
|        | US Initial Jobless Claims                        | 258k   |
|        | US Industrial Production MoM (Sep)               | 0.80%  |
|        | US NAHB Housing Market Index (Oct)               | 41     |

Source: Bloomberg

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