

17 July 2024

Global Markets Research

Daily Market Highlights

17 July: IMF expects stable global growth amid slowing disinflation

Global GDP forecast left unchanged at 3.2% in 2024; upwardly revised to 3.3% for 2025

Stronger-than-expected US retail sales despite weaker autos and gasoline; reaffirming consumer resiliency

DXY gained after the sales readings; UST yields fell on continued Fed rate cut views

- Major US equity indices notched new highs again on Tuesday, with investor optimism boosted by a better-than-expected US retail sales reading and favourable earnings from banking stocks. The Dow Jones logged its best session since June 2023 at +1.9% d/d and closed at record, while the S&P 500 and Nasdaq added more modest gains of 0.2-0.6% d/d. Gains broadened beyond the tech and large-cap stocks and consequently, we also saw the small cap-focused Russell 2000 rallying for its fifth day and by more than 3.0% d/d.
- Industrial bellwether Caterpillar rallied 4.3% d/d, making it the second-biggest gainer in the Dow behind UnitedHealth. The insurer advanced 6.5% d/d on the back of better-than-expected 2Q results. Financial stocks also rallied after earnings from the Bank of America and Morgan Stanley came in ahead of analyst forecasts.
- Across the Atlantic, European stocks closed lower (Stoxx Eur 600: -0.3% d/d), weighed down by mining stocks and luxury consumer goods. Asian markets closed mixed as traders looked for developments from China's Third Plenum, but are expected to join the US rally today.
- Despite the increase in risk appetite, Treasury yields slipped 4-9bps across the curve amid expectations of Fed rate cuts ahead. The 2Y yields fell 4bps to 4.42%, while the 10Y dropped 7bps to 4.16%. 10Y European bond yields also fell in tune to 3-5bps.
- In the forex market, the DXY rallied after the stronger-than expected retail sales but faded into close. Still, the DXY managed to log in a mild 0.1% d/d gain to close at 104.27, after jumping to as high as 104.51 after the sales reading. Most G10 currencies strengthened against the Dollar led by CHF, NOK and DKK (0.1-0.2% d/d). JPY, AUD and NZD were laggards and weakened in tune to 0.2-0.4% d/d against the USD. On the regional front, most currencies depreciated against the greenback with the exception of THB, PHP and INR. CNH, MYR and SGD were mildly weaker between 0-0.2% d/d at 7.2891, 4.6768 and 1.3442 respectively.
- In the commodity markets, oil prices fell 1.1-1.4% d/d amidst the mildly stronger USD and on recent signs that global demand is trending lower.

IMF: Steady global growth amid slowing disinflation

- Highlights from the latest World Economic Outlook include: 1) Global growth is expected to remain steady, with GDP projection for 2024 left unchanged at 3.2% but upwardly revised for 2025 (+0.1ppts to 3.3%). Risk to growth remains broadly balanced. 2) Global inflation is expected to ease from 6.7% in 2023 to 5.9% in 2024 and 4.4% (-0.1ppts) in 2025, but IMF flagged risks that services costs are holding up progress on disinflation, possibly forcing major central banks to keep borrowing costs higher for even longer. 3) IMF's

Key Market Metrics

| | Level | d/d (%) |
|--------------------|-----------|---------|
| Equities | | |
| Dow Jones | 40,954.48 | 1.85 |
| S&P 500 | 5,667.20 | 0.64 |
| NASDAQ | 18,509.34 | 0.20 |
| Stoxx Eur 600 | 517.30 | -0.28 |
| FTSE 100 | 8,164.90 | -0.22 |
| Nikkei 225 | 41,275.08 | 0.20 |
| CSI 300 | 3,498.28 | 0.63 |
| Hang Seng | 17,727.98 | -1.60 |
| Straits Times | 3,487.91 | -0.34 |
| KLCI 30 | 1,625.96 | -0.24 |
| FX | | |
| Dollar Index | 104.27 | 0.08 |
| EUR/USD | 1.0899 | 0.05 |
| GBP/USD | 1.2974 | 0.05 |
| USD/JPY | 158.35 | 0.18 |
| AUD/USD | 0.6734 | -0.38 |
| USD/CNH | 7.2891 | 0.20 |
| USD/MYR | 4.6768 | 0.07 |
| USD/SGD | 1.3442 | 0.03 |
| Commodities | | |
| WTI (\$/bbl) | 80.76 | -1.40 |
| Brent (\$/bbl) | 83.73 | -1.32 |
| Gold (\$/oz) | 2,467.80 | 1.60 |
| Copper (\$\$/MT) | 9,663.50 | -1.45 |
| Aluminum(\$/MT) | 2,406.00 | -2.25 |
| CPO (RM/tonne) | 3,958.00 | -1.36 |

Source: Bloomberg, HLBB Global Markets Research

* Dated as of 15 July for CPO

GDP forecast for the US was revised lower to 2.6% in 2024 (-0.1ppts) reflecting the slower-than-expected start to the year, slowing further to 1.9% in 2025 as the labor market cools, consumption moderates and fiscal policy starts to tighten gradually. 4) Economic activity in the euro area appears to have bottomed out and is expected to pick up momentum from 0.5% in 2023 to 0.9% (+0.1ppts) in 2024 and 1.5% in 2025. The upward revision for 2024 was driven by stronger momentum in services and higher-than-expected net exports in 1H. 5) In Japan, the strong shunto wage settlement is expected to support a rebound in consumer spending in 2H, but GDP growth projection for 2024 growth was revised down 0.2ppts to 0.7% due to temporary supply disruptions and weak private investment in 1Q. 5) For China, the growth forecast was revised upward to 5.0% in 2024, primarily on account of a rebound in private consumption and strong exports in 1Q. In 2025, GDP is projected to slow to 4.5% but growth for both years were 0.4ppts upward revisions each.

US retail sales was stronger than expected although headline was flat

- June's retail sales report was stronger than expected although headline sales were still flat m/m (May: +0.3% m/m). Details showed that the flat growth during the month was primarily due to lower motor vehicle sales (-2.0% m/m vs +1.0% m/m) due to the cyberattack on the software system used by dealers, while lower prices also dragged on gasoline station sales (-3.0% m/m vs -2.1% m/m). All other sales were strong. Thus, stripping the auto sales, spending was more favourable at +0.4% m/m (May: 0.1% m/m).
- The latest data suggests that consumer spending has largely and is expected to stay resilient barring any shocks in the labour market, although there are emerging signs of a downshift. The latter is reflected by consumers pulling back on spending on discretionary items or taking advantage of lower prices. This, coupled with improving inflation readings, could provide the impetus for the Fed to cut its policy rates later this year.
- In fact, a separate report showed that imported inflation were moderate and unchanged in June, although we noted the higher-than-expected forecasts and highest y/y increase since December 2022 at 1.6% y/y (May: -0.2% m/m and 1.4% y/y) as lower fuel prices were offset by the higher nonfuel price driven by industrial supplies & materials, food, feeds & beverages as well as motor vehicles.
- In the housing market, high mortgage rates for consumers, construction and development loans, continued to put a dampener on builder sentiment and sent the NAHB Housing Market Index unexpectedly sliding 1ppts to 42 in July, its lowest since December 2023. The July survey also revealed that builders are increasingly cutting prices to bolster home sales (31% vs 29%), although the average price reduction in July held steady at 6.0%.
- Services economic activity continued to contract slightly in New York state, with the headline business activity index holding steady at -4.5 in July (June: -4.7). While employment indicators improved, this was offset by a decline in capital spending for a second consecutive month and waning optimism about the six-month outlook.

Eurozone's investor sentiment worsened as export growth fell

- Weighed down by slower exports (May: -0.5% y/y vs Apr: +14.0% y/y), political uncertainty in France and the lack of clarity on the monetary policy front, the ZEW Survey Expectations index lost 7.6 points to 43.7 in July, while economic expectations for Germany also worsened for the first time in a year

(-5.7 points to 41.8).

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 |
|--------|--|--------|
| 17-Jul | AU Westpac Leading Index MoM (Jun) | -0.01% |
| | SI Non-oil Domestic Exports YoY (Jun) | -0.10% |
| | 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% |
| 18-Jul | US Federal Reserve Releases Beige Book | |
| | JN Exports YoY (Jun) | 13.50% |
| | AU Unemployment Rate (Jun) | 4.00% |
| | MA Exports YoY (Jun) | 7.30% |
| | UK ILO Unemployment Rate 3Mths (May) | 4.40% |
| | HK Unemployment Rate SA (Jun) | 3.00% |
| | EC ECB Main Refinancing Rate | 4.25% |
| | US Initial Jobless Claims | 222k |
| | US Philadelphia Fed Business Outlook (Jul) | 1.3 |
| | US Leading Index (Jun) | -0.50% |

Source: Bloomberg

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