17 September 2024

Global Markets Research

Daily Market Highlights

17 Sep: Cautiousness ahead of FOMC meeting

Markets remained jittery as bets for a bigger 50bps Fed rate cut increased

Global stocks ended mixed; bond yields and DXY lower on dovish Fed rate outlook

Gold hit record high; crude oil prices rose on weaker USD and lower Libyan supply

- Global equities markets closed Monday on a mixed note as markets traded cautiously ahead of Thursday's FOMC announcement that will mark the first rate cut in 4½ years and kickstart the Fed easing cycle. The Dow advanced 0.6% d/d while the broader S&P500 clinched a 0.1% d/d gain. On the contrary, NASDAQ fell 0.5% d/d led by a 2.8% decline in Apple shares following warnings on weaker than expected sales for its newly launched iPhones. The aggregate of Magnificent Seven gauge lost 0.7% while the Russell 2000 index of small cap firms closed up 0.3% d/d in what was seen as a rotational play. More drama surrounding the US presidential race on report of a second attempted Trump assassination over the weekend appeared to have little impact on markets, which have their eyes squarely on the upcoming FOMC meeting. European and Asian equities also ended on a mixed note with Japan, China and South Korea out for holidays.
- In the bond space, 10-year sovereign bond yields were seen settling lower by between 1-4bps generally. The benchmark 10-year UST yields fell 3bps to 3.62% while the 2-year UST yields also slipped 3bps to 3.55% amid growing expectations the FOMC would deliver a bigger 50bps rate cut later this week. Futures pricing for September rate cut increased to 43bps, from Friday's 37bps. The 10-year yields of the UK gilts shed just a bp to 3.76% while that of German bunds fell 3bps to 2.12%.
- The Dollar Index softened as well on a dovish Fed rate outlook. The greenback weakened against all G10s save for the CAD. JPY briefly broke below 140 for the first time since July 2023 and strengthened to 139.58 in late Asian trading session in anticipation of policy divergence between the FOMC (cut) and BOJ (pause) later this week, with thin liquidity amid a closed Japanese market added some weight to the move. It however narrowed gains to close the day only 0.2% stronger at 140.62. EUR strengthened 0.5% to 1.1133 while the GBP and AUD gained 0.7% each to 1.3216 and 0.6752 respectively.
- Against Asian currencies, the greenback weakened the most vs the TWD, followed by the THB and PHP. SGD strengthened 0.2% d/d to 1.2953 against the USD, closing below the 1.30 key level for the 2nd straight day at its strongest since 2014. Meanwhile, the MYR last closed 0.8% stronger at 4.3012 vs the USD last Friday ahead of the long weekend, it's strongest since Jan-2023.
- On the commodity front, gold hit a record high and last closed at $2586.40/ oz amid haven demand in the wake of dovish Fed rate outlook, while oil rose on the back of a weaker USD and lesser supply from Libya. Expectations for a bigger Fed rate cut also spurred expectations that this will help boost economic growth and hence demand for oil. WTI closed up 1.8% d/d at US$70.50/ barrel while the Brent advanced 1.1% d/d to US$72.97/ barrel.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	41,622.08	0.55
S&P 500	5,633.09	0.13
NASDAQ	17,592.13	-0.52
Stoxx Eur 600	515.11	-0.16
FTSE 100	8,278.44	0.06
Nikkei 225	36,581.76	-0.68
CSI 300	3,159.25	-0.42
Hang Seng	17,422.12	0.31
Straits Times	3,570.43	0.22
KLCI 30	1,652.15	0.84
FX		
Dollar Index	100.70	-0.41
EUR/USD	1.1133	0.52
GBP/USD	1.3216	0.70
USD/JPY	140.62	-0.16
AUD/USD	0.6752	0.72
USD/CNH	7.0970	-0.05
USD/MYR	4.3012	-0.78
USD/SGD	1.2953	-0.18
Commodities		
WTI ($/bbl)	70.50	1.82
Brent ($/bbl)	73.00	1.14
Gold ($/oz)	2,586.40	0.12
Copper ($$/MT)	9,372.50	1.25
Aluminum($/MT)	2,515.00	1.70
CPO (RM/tonne)	3,986.00	-0.86

Source: Bloomberg, HLBB Global Markets Research
** Dated as of 12 Sep for Nikkei, CSI 300, CPO*
*** Dated as of 13 Sep for KLCI, USD/MYR*

More upbeat outlook from New York state manufacturers and Uni Michigan consumer sentiments

- Empire Manufacturing staged a surprised rebound to a positive reading of 11.5 in September (Aug: -4.7), its first positive print in ten months. This was driven by a sharp turnaround in new orders (+9.4 vs -7.9) and average workweek (+2.9 vs -17.8), inventories (0.0 vs -10.6) and a sharp acceleration in shipments (17.9 vs 0.3). Meanwhile, the price gauge was little changed and the outlook index rose to its highest since Mar-22, suggesting manufacturers are more optimistic about prospects of the US economy six months ahead.
- The more upbeat outlook can also be seen in the bigger than expected increase in University of Michigan consumer sentiments from 67.9 in August to 69.0 in September. Both current conditions and expectations components increased more than expected as 1-year inflation expectations unexpectedly eased to 2.7% (Aug: 2.8%) while 5 to 10-year inflation expectations unexpectedly inched up a notch to 3.1% (Aug: 3.0%). In another release, contrary to the upside surprises in m/m core CPI and PPI, import prices surprised on the downside with a bigger than expected contraction of 0.3% m/m in August (Jul: +0.1%), leaving market in a limbo between a 25bps and 50bps cut at the upcoming FOMC meeting. Futures pricing is signalling 42bps cut at the September meeting (up from 37bps last Friday) and a total 120bps cut for 2024 (prior 116bps) while we reiterate our house view for a 25bps cut.

Disappointing China data further heightened growth fear; calling for stimulus

- The almost synchronized bigger than expected pullback in key China data exacerbated concerns of growing headwinds in the China economy and would warrant more fiscal as well as monetary policy stimulus. Retail sales, industrial production, and fixed asset investment all lost momentum and grew at slower than expected paces of 2.1% y/y, 4.5% y/y and 3.4% y/y YTD respectively in August (Jul: +2.7% y/y, 5.1% y/y, and 3.6% y/y YTD). Jobless rate unexpectedly increased to 5.3% during the month (Jul: 5.2%). All this heightened concerns that China would miss its 5.0% growth target for the year.
- On the housing front, home prices for both new homes and used homes posted bigger declines while property investment and residential property sales continued to see double-digit declines of 10.2% and 25.0% y/y YTD August. New yuan loan was the only indicator showing an uptick, to CNY 14.43 trillion in the first eight months of the year (YTD Jul: CNY 13.52 trillion), but this also missed expectations and marked its 10th straight month of y/y decline, offering hints that recent rate cuts have failed its objective of spurring credit growth.

House View and Forecasts

FX	This Week	3Q-24	4Q-24	1Q-25	2Q-25
DXY	100-103	102.41	100.87	99.86	98.86
EUR/USD	1.09-1.12	1.11	1.12	1.10	1.08
GBP/USD	1.29-1.33	1.29	1.30	1.30	1.29
USD/JPY	139-145	145	143	140	137
AUD/USD	0.66-0.69	0.66	0.66	0.67	0.68
USD/MYR	4.30-4.38	4.50	4.40	4.35	4.30
USD/SGD	1.29-1.32	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	3.50	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
17-Sep	SI Non-oil Domestic Exports YoY (Aug)	15.70%
	EC ZEW Survey Expectations (Sep)	17.9
	US Retail Sales Advance MoM (Aug)	1.00%
	US New York Fed Services Business Activity (Sep)	1.8
	US Industrial Production MoM (Aug)	-0.60%
	US NAHB Housing Market Index (Sep)	39
18-Sep	JN Exports YoY (Aug)	10.30%
	JN Core Machine Orders MoM (Jul)	2.10%
	AU Westpac Leading Index MoM (Aug)	-0.04%
	CH 1-Yr Medium-Term Lending Facility Rate	2.30%
	UK CPI Core YoY (Aug)	3.30%
	UK House Price Index YoY (Jul)	2.70%
	EC CPI Core YoY (Aug F)	2.80%
	US MBA Mortgage Applications	1.40%
	US Housing Starts MoM (Aug)	-6.80%
	US Building Permits MoM (Aug)	-4.00%

Source: Bloomberg

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