

17 October 2024

Global Markets Research

Daily Market Highlights

17 Oct: All eyes on ECB & China's property stimulus today

Strong earnings continued to boost the US equity and treasury markets

USD strengthened vs G10 peers; US mortgage applications plunged; import prices eased

GBP weakened sharply after UK's inflation fell below 2%; traders upped their rate cut bets

- The Dow rallied 0.8% d/d to a record close overnight, bouncing back from a sell-off in the previous session while S&P 500 and Nasdaq gained 0.5% and 0.3% d/d respectively. This comes after strong quarterly earnings results from Morgan Stanley and United Airlines lifted appetite for banks and airlines, eclipsing the pullback in many big tech stocks.
- In Europe, Stoxx Eur 600 closed 0.2% d/d lower with chip stocks and luxury goods leading losses, the latter following missed earnings and sales warnings from LMVH. Asian markets also traded lower with Nikkei 225 leading losses for the region. Hang Seng fell 0.2% d/d despite the government introducing measures to lift its housing market and consumption, which includes setting the maximum loan-to-value ratio at 70% for all homes and cutting its alcohol tax. Today, investors will be watching for more stimulus measures to prop up the property sector in China and this will likely determine sentiment today.
- Treasuries closed in green but off their peaks. The 2Y yield inched down 1bps to 3.94%, while the 10Y fell 2bps to 4.01%. 10Y European bond yields also fell in tune to 2-5bps (prior: -5 to -8bps), save for the UK gilts, which plunged 10bps to 4.06% after UK CPI print came in lower than expected.
- In the forex space, prospects of Trump winning the election sent DXY closing 0.3% d/d firmer at 103.59, and the Dollar strengthened against all its G10 peers save for the CAD. Leading losses against USD were NOK, SEK and GBP (0.6-0.9% d/d). The sterling weakened sharply after UK's inflation came in lower than expected, and with traders pencilling in a near certainty that BOE will deliver a 25bps rate cut in November, up from 90% the prior day. AUD depreciated by 0.5% d/d on continued scepticism over China's stimulus. Meanwhile, greenback closed mixed against regionals, with CNH closing just slightly weaker at 7.1368 while SGD weakened 0.3% d/d to 1.3134. MYR, on the other hand, strengthened 0.3% d/d to 4.2970.
- In the commodities market, crude oil prices held above \$70/barrel and the WTI and Brent closed down between 0-0.3% d/d. Risks of escalating tension and disruptions in crude supply in the Middle East remain on investors' radar amid reports that Israel launched fresh attack in southern Beirut, and Iranian officials are containing oil leak from the subsea pipeline.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	43,077.70	0.79
S&P 500	5,842.47	0.47
NASDAQ	18,367.08	0.28
Stoxx Eur 600	519.60	-0.19
FTSE 100	8,329.07	0.97
Nikkei 225	39,180.30	-1.83
CSI 300	3,831.59	-0.63
Hang Seng	20,286.85	-0.16
Straits Times	3,590.62	-0.13
KLCI 30	1,632.63	-0.57
FX		
Dollar Index	103.59	0.32
EUR/USD	1.0862	-0.28
GBP/USD	1.2990	-0.64
USD/JPY	149.64	0.29
AUD/USD	0.6667	-0.54
USD/CNH	7.1368	0.02
USD/MYR	4.2970	-0.30
USD/SGD	1.3134	0.31
Commodities		
WTI (\$/bbl)	70.39	-0.27
Brent (\$/bbl)	74.22	-0.04
Gold (\$/oz)	2,674.00	0.47
Copper (\$\$/MT)	9,558.50	0.29
Aluminum(\$/MT)	2,584.00	0.53
CPO (RM/tonne)	4,356.00	-1.03

Source: Bloomberg, HLBB Global Markets Research

* Dated as of 15 Oct for CPO

US import prices fell more than expected; mortgage applications plunged amid higher rates

- Import prices logged its biggest monthly drop this year at -0.4% m/m in September (prior: -0.2% m/m) and was lower than expected, auguring well for the domestic inflation outlook. The decline was underpinned by

decreases in the costs of fuel and food prices, which more than offset higher prices for nonfuel industrial supplies & materials, consumer goods and automotive vehicles more.

- Mortgage rates moved higher for the third week with the 30Y fixed rate increasing to 6.52% for the week ended October 11, its highest since August. This put a dampener on applications (-17.0% w/w vs -5.1% w/w), especially for refinance activities. Purchase applications also declined w/w but remained notably higher y/y, reflecting pent-up demand from prospective first-time buyers.
- At -2.2 in October (prior: +0.5), the New York Fed Services Business Activity index suggests that business activity softened slightly for the district. While firms remained positive that conditions would improve in the months ahead, overall optimism has nonetheless remained subdued.

UK's inflation retreated below 2.0%, its first in 3 years

- Prices on both the consumer and producer front came below street estimates in September, supporting a 25bps rate cut view in November. Headline CPI eased more than expected to 1.7% y/y in September, with both core and services also tamer at 3.2% y/y and +4.9% y/y respectively (prior: 2.2% y/y, 3.6% y/y and 5.6% y/y). This marks the first retreat below the 2.0% target since April 2021, driven by airfares as well as motor fuel and will give BOE leeway to cut rates in November. PPI (output) also came lower than expected at -1.0% y/y (prior: -0.3% y/y), but the House Price Index accelerated more than expected to 2.8% y/y in August from +1.8% y/y previously.

Japan's exports unexpectedly turned contractionary, its first decline in 10 months

- September's trade data this morning disappointed in Japan, with exports unexpectedly contracting 1.7% y/y while imports unexpectedly slowed to 2.1% y/y (prior: +5.5% y/y and +2.3% y/y). While the narrower trade deficit bodes well for GDP calculation, the slower import growth signals soft domestic demand and amidst the first decline in external shipments since November 2023, this suggests that the latter will not be able to take the baton to support growth going forward. Coupled with soft forward-looking indicators like core machine orders, this reaffirms our view that the BOJ will likely tread cautiously in its tightening policy and will only deliver its next rate hike next year.

House View and Forecasts

FX	This Week	4Q-24	1Q-25	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
17-Oct	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
18-Oct	JN Natl CPI YoY (Sep)	3.00%
	CH New Home Prices MoM (Sep)	-0.73%
	CH GDP YoY (3Q)	4.70%
	CH Industrial Production YoY (Sep)	4.50%
	CH Retail Sales YoY (Sep)	2.10%
	CH Fixed Assets Ex Rural YTD YoY (Sep)	3.40%
	CH Surveyed Jobless Rate (Sep)	5.30%
	MA Exports YoY (Sep)	12.10%
	MA GDP YoY (3Q A)	5.90%
	UK Retail Sales Inc Auto Fuel MoM (Sep)	1.00%
	HK Unemployment Rate SA (Sep)	3.00%
	US Housing Starts MoM (Sep)	9.60%
	US Building Permits MoM (Sep)	4.90%

Source: Bloomberg

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