

19 August 2024

Global Markets Research

Daily Market Highlights

19 Aug: Calmer close to Wall Street last Friday

Mixed data prints for the US; improved consumer sentiment; weak housing

Retail sales grew strongly in the UK; Singapore's NODX surprised on the upside

Malaysia's GDP grew 5.9% in 2Q; full year GDP growth likely higher at 5.4%

- It was a calmer end to Wall Street last Friday, with the three major indices chalking up small gains of +0.2% m/m each. Stocks rallied on support from the better-than-expected consumer sentiment prints, while corporate earnings also continued to please Wall Street, with H&R Block being a standout. Large-cap tech shares, meanwhile, closed mixed during the day.
- The Stoxx Eur 600 also rose 0.3% d/d, as auto stocks and financial stocks gained, but real estate and energy stocks lagged. Similarly, Asian indices also advanced tracking the positive momentum in the US but are set for a mixed open today following the futures. This week, all eyes will also be on the Fed at the annual Jackson Hole symposium for more clues on the Fed policy outlook.
- Treasuries benefited from the weaker than expected housing starts and building permits, and expectations that the Fed will deliver a 25bps rate cut in the September FOMC meeting. The 2Y yield fell 4bps to 4.05%, while the 10Y dipped 3bps to 3.88%. 10Y European bond yields closed mixed in between -3 to +1bps.
- DXY fell 0.5% d/d to 102.46, its lowest in five months amid the weak housing prints. All the G10 currencies strengthened against USD, led by NZD, JPY and SEK (1.0-1.2% d/d). GBP also appreciated 0.7% d/d against the Dollar amid another round of upbeat economic numbers. Regional currencies mostly appreciated against the Dollar save the THB and PHP. JPY, KRW and SGD led gains between 0.5-1.2% d/d, the latter driven by the surprised uptick in its NODX data, while MYR appreciated slightly by 0.1% d/d to 4.4323.
- Crude oil prices fell in tune to 1.7-1.9% d/d on continued concerns over global demand, especially from China and on Gaza cease-fire talks.

US consumer confidence improved swayed by election developments; housing starts and building permits fell on restrictive rates and weather condition

- The University of Michigan's Consumer Sentiment index was essentially unchanged, inching up a mere 1.4ppts to 67.8 in August. The uptick was nonetheless, better than expected and election developments largely drove sentiment during the month. The expectations index (72.1 vs 68.8) rose to its highest in four months, while the current index retreated to 60.9 from 62.7 respectively. Year-ahead and long-run inflation expectations were steady at 2.9% at 3.0% respectively.
- In the housing market, restrictive rates and hurricane Beryl in the South put a dampener on housing activities in July, sending building permits and housing starts sliding more than expected by -4.0% m/m and -6.8% m/m

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	40,659.76	0.24
S&P 500	5,554.25	0.20
NASDAQ	17,631.72	0.21
Stoxx Eur 600	511.45	0.31
FTSE 100	8,311.41	-0.43
Nikkei 225	38,062.67	3.64
CSI 300	3,345.63	0.11
Hang Seng	17,430.16	1.88
Straits Times	3,352.89	1.12
KLCI 30	1,623.90	0.68
FX		
Dollar Index	102.46	-0.50
EUR/USD	1.1027	0.50
GBP/USD	1.2944	0.69
USD/JPY	147.63	-1.11
AUD/USD	0.6669	0.86
USD/CNH	7.1631	-0.23
USD/MYR	4.4323	-0.12
USD/SGD	1.3159	-0.49
Commodities		
WTI (\$/bbl)	76.65	-1.93
Brent (\$/bbl)	79.68	-1.68
Gold (\$/oz)	2,498.60	1.85
Copper (\$\$/MT)	9,115.50	-0.36
Aluminum(\$/MT)	2,365.50	0.08
CPO (RM/tonne)	3,868.50	0.32

Source: Bloomberg, HLBB Global Markets Research

* Dated as of 15 Aug for CPO

respectively (June: +3.9% m/m and +1.1% m/m). At 1.2m, housing starts is also at its lowest level since May 2020. Given the decline in permits, high and rising inventory level due to weak demand and builders still offering incentives and cutting prices for prospective buyers, these should likely weigh on construction activity in the near term.

- The New York Fed Services Business Activity index moved up 6 points to +1.8 in August, driven by improvements in its supply availability and capital spending sub-indices, as well as higher input and selling prices. Looking ahead, firms were not very optimistic that conditions would improve in the months ahead.

Eurozone's trade surplus widened; contraction in imports outpaced exports

- Trade surplus widened to €22.3bn in June, compared with €13.9bn the prior month and €18.0bn in June 2023. The higher trade surplus during the month was mainly due to bigger contraction in imports (-8.6% y/y and -2.4% m/m) as compared to exports (-6.3% y/y and -0.2% m/m) and driven by higher surpluses for machineries & vehicles, chemicals and other manufactured goods combined with a decrease of the deficit for energy.

Rebound in UK's retail sales as discounts boosted spending

- Retail sales rebounded to +0.5% m/m in July (June: -0.9% m/m). Although below street estimates, this suggests steady consumer outlook for the UK as wage growth outpaces inflation. Department stores and sports equipment stores reported a boost following summer discounts and sporting events such as the European football championship. Non-store retail sales also rose, while automotive fuel sales fell in line with lower petrol prices during the month.

Japan's core machine orders rebounded; capital spending expected to be sustained in 3Q

- Core machine orders, a leading indicator of capital spending, rebounded more than expected to +2.1% m/m in June (May: -3.2% m/m) mainly due to the non-manufacturing orders like real estate, telecommunication as well as wholesales & retail sales. With consumer spending expected to pick-up in coming months supported by the strong wage growth, orders for this sector are expected to remain firm and grow by 1.1% in 3Q (2Q: -3.7% m/m), but capital spending in the manufacturing sector is expected to ease slightly to +2.4% (2Q: 2.8%), supported by still strong demand for its autos.

Moderate growth for Hong Kong at 3.3% in 2Q; government maintained full year GDP growth forecast of 2.5-3.5% for 2024

- The Hong Kong economy continued to record moderate growth of 3.3% y/y in 2Q, left unchanged from its initial estimate and an uptick from 1Q's +2.8% y/y. Growth was largely driven by strong growth in exports of goods as well as investment expenditure. Export growth for services decelerated and consumer spending turned negative. Taking into account the 1H performance (+3.1% y/y), and latest developments on the global and domestic front, the Government maintained its real GDP growth projection for 2024 at 2.5%-3.5%.

Singapore's NODX surprised on the upside with double-digit growth

- Non-oil domestic exports (NODX) far exceeded economist estimates to climb 15.7% y/y in July, reversing an 8.8% y/y drop the previous month as both

electronics and non-electronics exports grew. This comes days after the agency narrowed its full-year key exports outlook to a range of 4-5% for 2024, down from its initial estimate of 4-6%. Electronics exports gained 16.5% y/y (prior: -9.5% y/y) driven by disk media products and integrated circuits, while non-electronics shipments were supported by non-monetary gold, petrochemicals and specialised machinery. NODX to six of Singapore's top ten markets recorded y/y increases led by the US, Malaysia and China.

Malaysia's final 2Q GDP revised slightly higher to +5.9% y/y driven by domestic demand and turnaround in net exports; full year 2024 growth likely average higher at 5.4%

- The Malaysian economy registered improved momentum for the second straight quarter, expanding at a robust 5.9% y/y pace in 2Q24 (1Q: +4.2% y/y). This marked a slight upward revision from the +5.8% y/y advance estimate released last month and was relatively in line with consensus (+5.8% y/y) as well as our (+6.0% y/y) estimates. There was good traction on a quarterly (+2.9% vs +1.5% q/q) and a monthly basis, despite some moderation towards June.
- Without any surprises, growth was predominantly driven by continued expansion in domestic demand and exports recovery. All major sectors registered positive growth. This brings growth to average +5.1% y/y in the first half of the year (2H23: +3.0% y/y). Barring any unforeseen external shocks, we expect sustained growth traction in the next two quarters, suggesting our already above consensus growth forecast of 4.9% could be conservative, with upside potential to +5.4% y/y for 2024 as a whole.
- On a separate note, Prime Minister Datuk Seri Anwar Ibrahim announced a 15% pay raise for civil servants under the management and professional category and a 7% salary raise for civil servants in the upper management category. The salary adjustment will be implemented in phases, starting from December 1 for Phase 1, and from Jan 1, 2026 for Phase 2. Given that this adjustment will only kickstart at end year, we expect it to have minimal impact on consumer spending, government's budget and inflationary pressures this year.

House View and Forecasts

FX	This Week	3Q-24	4Q-24	1Q-25	2Q-25
DXY	101-105	102.41	100.87	99.86	98.86
EUR/USD	1.08-1.11	1.11	1.12	1.10	1.08
GBP/USD	1.27-1.30	1.29	1.30	1.30	1.29
USD/JPY	146-152	145	143	140	137
AUD/USD	0.65-0.68	0.66	0.66	0.67	0.68
USD/MYR	4.40-4.49	4.50	4.40	4.35	4.30
USD/SGD	1.31-1.34	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	3.75	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
19-Aug	MA Exports YoY (Jul)	1.70%
	US Leading Index (Jul)	-0.20%
20-Aug	CH 5-Year Loan Prime Rate	3.85%
	CH 1-Year Loan Prime Rate	3.35%
	AU RBA Minutes of Aug. Policy Meeting	
	HK CPI Composite YoY (Jul)	1.50%
	EC Construction Output MoM (Jun)	-0.90%
	EC CPI YoY (Jul F)	2.50%
	US Philadelphia Fed Non-Manufacturing Activity (Aug)	-19.1

Source: Bloomberg

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