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Global Markets Research

Daily Market Highlights

20 Aug: Investors await Jackson Hole Symposium

Bullish sentiment in equity markets; UST yields closed mixed; DXY below 102

US leading index stabilized but a negative print suggests headwinds ahead

Better trade data for Malaysia; MYR rallied on optimism over growth outlook

- Wall Street continued to run higher and the S&P 500 and Nasdaq notched their 8th day of winning streak as investors await the closely watched minutes to the latest FOMC meeting and Federal Reserve symposium later this week. The three major US equity indices closed up 0.6-1.4% d/d and gains were broad-based, led by technology and consumer discretionary stocks. Among individual stocks, AMD advanced after agreeing to purchase ZT Systems, a designer of data centre equipment for cloud computing and AI, but Estee Lauder's shares retreated after lowering its annual sales forecast. In Fed speak, President Neel Kashkari signalled that he would be open to cutting rates next month in view of the weaker labour market.
- In Europe, Stoxx Eur 600 also extended its positive momentum, adding 0.6% d/d with mining and retail stocks leading gains. Asian equities closed mixed but will get a boost from the bullish Wall Street overnight.
- Treasury yields closed little changed and mixed, with the front-end underperforming. The 2Y yield rose 2bps to 4.07%, while the 10Y yield slid 1bps to 3.87%. 10Y European bond yields fell in tune to 0-2bps save for the Austrian sovereign bonds.
- DXY sank 0.6% d/d to 101.89, its weakest since early January on bearish bets ahead of Fed Chair Jerome Powell's speech at the Jackson Hole symposium. Like Kashkari, his comments may offer stronger hint of a September rate cut. G10 currencies strengthened against the Dollar led by SEK, NOK and NZD (1.0-1.2% d/d). Closer to home, all regional currencies also appreciated against greenback, led by THB, KRW and MYR. The latter strengthened 1.1% d/d to 4.3828, its strongest since February 2023 buoyed by optimism over Malaysia's growth prospects. SGD also appreciated by 0.6% d/d to 1.3082.
- Crude oil prices pulled back 2.5-3.0% d/d as China demand fears continued to linger and as Libya's Waha field returned to normal production levels, overshadowing the geopolitical tension in the Middle East.

US Leading Index's annual growth rate stabilized but remains negative

- The Leading index fell by more than expected by 0.6% m/m in July (prior: -0.2% m/m), but the 6M annual growth rate no longer flags recession risk ahead at -2.1% (prior: -3.1%). The LEI's weakness was led by non-financial components and the yield spread, and a negative print suggests headwinds in economic growth going forward.

Bigger than expected pick-ups in external trade for Malaysia

- Exports snapped a two-month softening trend and increased at a faster pace of 12.3% y/y in July (Jun: +1.7% y/y), exceeding market as well as our

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	40,896.53	0.58
S&P 500	5,608.25	0.97
NASDAQ	17,876.77	1.39
Stoxx Eur 600	514.59	0.61
FTSE 100	8,356.94	0.55
Nikkei 225	37,388.62	-1.77
CSI 300	3,356.97	0.34
Hang Seng	17,569.57	0.80
Straits Times	3,355.56	0.08
KLCI 30	1,648.70	1.53
FX		
Dollar Index	101.89	-0.56
EUR/USD	1.1085	0.53
GBP/USD	1.2991	0.36
USD/JPY	146.59	-0.70
AUD/USD	0.6731	0.93
USD/CNH	7.1336	-0.41
USD/MYR	4.3828	-1.12
USD/SGD	1.3082	-0.59
Commodities		
WTI (\$/bbl)	74.37	-2.97
Brent (\$/bbl)	77.66	-2.54
Gold (\$/oz)	2,501.80	0.13
Copper (\$\$/MT)	9,252.00	1.50
Aluminum(\$/MT)	2,445.50	3.38
CPO (RM/tonne)	3,868.50	0.00

Source: Bloomberg, HLBB Global Markets Research

* Dated as of 16 Aug for CPO

expectations to mark its best growth pace since Nov-22. The expansion in exports was broad-based with good traction to the US and Singapore. Meanwhile, growth in imports picked up steam for a 2nd straight month, expanding 25.4% y/y in July (Jun: +17.8% y/y), its fastest since Oct-22 lifted by broad-based double-digit growth across intermediate goods, consumption and capital goods imports. Imports growth has outpaced exports growth for the 11th straight month, and as a result, exerted further pressure on trade balance. Trade surplus more than halved to RM6.4bn in July (Jun: RM14.3bn), as the gain in imports (+11.6% m/m) far outweighed the increase in exports (+4.1% m/m), pushing trade surplus to its lowest since the pandemic era.

- We maintain our expectation for continued recovery in Malaysia exports going forward, driven by resilient global demand and spillover from global tech upcycle. Malaysia is also well-positioned to benefit from shifts in trade flows as trade tensions between China and the West intensify. We therefore maintain our view for exports to pick up in the months ahead, offering an added impetus to GDP growth in the second half of the year. That said, expectation for more robust imports growth as a result of further expansion in domestic demand is still expected to limit upside from net exports, hence overall GDP growth.

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
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
21-Aug	JN Exports YoY (Jul)	5.40%
	AU Westpac Leading Index MoM (Jul)	0.00%
	US MBA Mortgage Applications	16.80%

Source: Bloomberg

Hong Leong Bank Berhad

Fixed Income & Economic Research, Global Markets
 Level 8, Hong Leong Tower
 6, Jalan Damanlela
 Bukit Damansara
 50490 Kuala Lumpur
 Tel: 603-2081 1221
 Fax: 603-2081 8936

HLMarkets@hlbb.hongleong.com.my

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