

21 August 2024

Global Markets Research

Daily Market Highlights

21 Aug: All eyes on FOMC minutes today

UST yields and DXY fell amid weak Philly Fed non-manufacturing print

Stock markets snapped their winning streaks; weighed down by energy stocks

China banks maintained lending rates; RBA minutes dashed rate cut hopes

- Weighed down by energy stocks, the three major US equity indices took a breather overnight and closed just a shade lower by 0.2-0.3% d/d, snapping an 8-day winning streak for S&P 500 and Nasdaq while the Dow logging its first negative close in the last six days. If the broad index had finished Tuesday up, it would have marked its longest winning streak in 20 years but investors remained on edge with the upcoming release of August's FOMC meeting minutes followed by Powell's speech at the Jackson Hole conference. Energy stocks, meanwhile, took a beating following three days of retreat in crude oil prices (-0.4% to -0.6% d/d), weighed down by the potential ceasefire in Gaza and lingering concerns over global demand.
- In Europe, Stoxx 600 closed 0.5% d/d lower with all sectors but one, and all major bourses closing in red. Again, energy stocks were the laggard while banking stocks also fell after Sweden's Riksbank cut its policy rate by 25bps to 3.50% and signalled more to come. Nikkei led gains in Asia, as investors assessed the RBA minutes and after China held key rates unchanged, but are expected to retreat today following overnight Wall Street and the futures.
- In the Treasury market, yields fell 6-8bps across the curve following the weak Philly Fed non-manufacturing activity print which raised broader concerns over the state of the US economy. The 2Y yield closed 8bps lower at 3.98%, while the 10Y fell 6bps to 3.81%. 10Y European bond yield slid 0-6bps.
- In line with the weaker UST yields, DXY recorded its third daily drop by 0.4% d/d to 101.44. All the G10 currencies strengthened against USD led by SEK, CHF and JPY (0.9-1.1% d/d). EUR and GBP also rallied 0.3-0.4% d/d to their highest since December and July 2023 respectively, while AUD strengthened 0.2% d/d after the latest RBA minutes dimmed rate cut hopes. Closer to home, regional currencies appreciated against the greenback led by JPY, IDR and THB (0.7-0.9% d/d), while MYR and SGD strengthened at a milder pace of 0-0.2% d/d to close at 4.3815 and 1.3052 respectively. CNH also closed 0.2% d/d stronger after China banks maintained their lending rates.

China banks maintained 1- and 5Y lending rates

- The 1- and 5- year loan prime rates were left unchanged at 3.35% and 3.85% respectively. The decision was widely expected, especially after PBoC Governor Pan Gongsheng said that authorities will avoid "drastic" measures and also reflect the balancing act to support and revive the economy to achieve its 5.0% target versus protecting bank profit margins and health of the financial institutions. Moving forward, investors will most likely focus on the 7D reverse report rate to assess monetary policy decisions and any further rate cuts will most likely be kept to another 25bps, as per historical

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	40,834.97	-0.15
S&P 500	5,597.12	-0.20
NASDAQ	17,816.94	-0.33
Stoxx Eur 600	512.27	-0.45
FTSE 100	8,273.32	-1.00
Nikkei 225	38,062.92	1.80
CSI 300	3,332.70	-0.72
Hang Seng	17,511.08	-0.33
Straits Times	3,370.31	0.44
KLCI 30	1,642.77	-0.36
FX		
Dollar Index	101.44	-0.44
EUR/USD	1.1130	0.41
GBP/USD	1.3034	0.33
USD/JPY	145.26	-0.91
AUD/USD	0.6745	0.21
USD/CNH	7.1172	-0.23
USD/MYR	4.3815	-0.03
USD/SGD	1.3052	-0.23
Commodities		
WTI (\$/bbl)	74.04	-0.44
Brent (\$/bbl)	77.20	-0.59
Gold (\$/oz)	2,511.30	0.38
Copper (\$\$/MT)	9,204.00	-0.52
Aluminum(\$/MT)	2,502.00	2.31
CPO (RM/tonne)	3,917.50	0.73

Source: Bloomberg, HLBB Global Markets Research

* Dated as of 19 Aug for CPO

trend.

RBA minutes dimmed hopes for rate cuts in the short term

- Minutes to the latest RBA policy meeting effectively ruled out rate cuts in the near term. Key points supporting this and other highlights include: 1) The minutes showed that it is unlikely that the cash rate target would be reduced in the short term and holding the cash rate steady at 4.35% for an extended period would be appropriate if inflation was still broadly on track to return to target within a reasonable timeframe. 2) RBA reiterated its stance of returning inflation to target as the Board's highest priority. In this regard, the central bank added that the risk of inflation not returning to target within a reasonable timeframe had increased. 3) Labour market is expected to ease gradually before stabilising in early 2026. Mirroring its peers, RBA flagged concerns that the unemployment rate could pick up sharply if businesses were currently hoarding labour.

The non-manufacturing sector for Philadelphia remained weak and worsened

- The Fed Philadelphia Non-Manufacturing Activity index fell deeper into the contractionary zone to -25.1 in August (Jul: -19.1). This suggests that the sector remained weak and expectations were subdued for the region, weighed down by a further decline in the employment index while the sales/revenues remained below their long-run averages.

Eurozone's construction output rebounded; final CPI prints left unchanged

- Construction output rebounded 1.7% m/m and 1.0% y/y in June (prior: -0.9% m/m and -2.1% m/m). while the final headline and core inflation rate was left unchanged at 2.6% y/y and 2.9% y/y respectively in July (prior: 2.5% y/y and 2.9% y/y). Keeping prices elevated were services costs, followed by food, alcohol & tobacco, non-energy industrial goods and energy.

Japan posted strong trade numbers

- Despite below expectations, both exports and imports grew at a faster pace in July, in a sign of sustained economic recovery going forward. Exports and imports expanded by 10.3% y/y and 16.6% y/y respectively (prior: +5.4% y/y and +3.2% y/y), the former driven by autos and will most likely provide a relief to authorities after the recent meltdown in global financial markets post BOJ's rate hikes and hawkish signals from its Governor.

Hong Kong's inflation rate spiked after the end of the rates concession

- Hong Kong's inflation remained modest although it ticked up more than expected to +2.5% y/y in July (June: +1.5%) in June 2024. The larger increase during the month was mainly due to the end of the rate concession in June and thus, netting out this, underlying inflation was much softer at 1.2% y/y. Nonetheless, this was still an uptick from 1.0% y/y previously, driven by increases in transport fares as well as the smaller decreases in electricity charges.
- Looking ahead, CPI should stay mild in the near term. Domestic costs may face some moderate upward pressures as the economy grows, but external price pressures should remain on a broad moderating trend. With this and mild pressures YTD, the Government lowered its underlying and headline inflation forecasts for 2024 to 1.3% and 1.9% respectively for 2024 (prior: 1.7% and 2.4%).

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	1.08-1.13	1.11	1.12	1.10	1.08
GBP/USD	1.27-1.33	1.29	1.30	1.30	1.29
USD/JPY	144-152	145	143	140	137
AUD/USD	0.65-0.68	0.66	0.66	0.67	0.68
USD/MYR	4.32-4.42	4.50	4.40	4.35	4.30
USD/SGD	1.30-1.32	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	3.75	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
21-Aug	AU Westpac Leading Index MoM (Jul)	0.00%
	US MBA Mortgage Applications	16.80%
22-Aug	US FOMC Meeting Minutes	
	AU Judo Bank Australia PMI Mfg (Aug P)	47.5
	AU Judo Bank Australia PMI Services (Aug P)	50.4
	JN Jibun Bank Japan PMI Mfg (Aug P)	49.1
	JN Jibun Bank Japan PMI Services (Aug P)	53.7
	MA CPI YoY (Jul)	2.00%
	MA Foreign Reserves	\$114.7b
	EC HCOB Eurozone Manufacturing PMI (Aug P)	45.8
	EC HCOB Eurozone Services PMI (Aug P)	51.9
	UK S&P Global UK Manufacturing PMI (Aug P)	52.1
	UK S&P Global UK Services PMI (Aug P)	52.5
	UK CBI Trends Total Orders (Aug)	-32
	US Chicago Fed Nat Activity Index (Jul)	0.05
	US Initial Jobless Claims	227k
	US S&P Global US Manufacturing PMI (Aug P)	49.6
	US S&P Global US Services PMI (Aug P)	55
	EC Consumer Confidence (Aug P)	-13
	US Existing Home Sales MoM (Jul)	-5.40%
	US Kansas City Fed Manf. Activity (Aug)	-13

Source: Bloomberg

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