21 October 2024

Global Markets Research

Daily Market Highlights

21 Oct: Risk-on sentiment in the global markets

Equity markets gained; UST yields closed mixed; USD weakened against most G10 peers

Sentiment boosted by earnings beats, China's stimulus; all eyes on PBoC's decision today

MYR closed stronger; MOF revealed a narrower budget deficit of 3.8% of GDP for 2025

- US equities closed off last Friday on a high note as earnings beats continued to add to signs that the economy will soft-land. S&P 500 added another 0.4% d/d, while the Dow and Nasdaq gained 0.1% d/d and 0.6% d/d respectively, the latter underpinned by a jump in Netflix shares. The streaming giant rallied 11.1% d/d after beating consensus forecasts.
- In Europe, Stoxx Eur 600 closed up 0.2% d/d, riding on optimism that another ECB rate cut is expected before the end of the year. Tech and luxury stocks led gains, with Gucci-owner Kering rising 3.5% d/d. In Asia, CSI 300 jumped 3.6% d/d on stronger-than-expected GDP data and after the PBoC reinforced support for markets, kicking off with a specialised re-lending facility to assist corporates buy back shares and swap facility that offers institutional investors liquidity to purchase stocks. CSI led gains in Asia and are expected to extend their gains today after Wall Street finished last week on fresh highs.
- In the bond space, Treasuries closed mixed after stumbling the prior day. The 2Y yield fell 2bps to 3.95%, while the 10Y dipped 1bps to 4.08% (Prior: +3 to +9bps). In Europe, 10Y sovereign bonds rallied on optimism that ECB will deliver another rate cut in December, sending yields sliding 3-6bps (prior: +1 to +3bps) save for the Swedish and Norwegian sovereign bonds
- In the forex market, the Dollar took a breather from its recent rally, partially underpinned by improved risk appetite after another round of stimulus from China. DXY closed down 0.3% d/d to 103.49, and the Dollar weakened against all its G10 peers save for the CAD and NOK. JPY led gains against USD at +0.5% d/d after MOF's Atsushi Mimura echoed his peers that officials will be monitoring its JPY moves with high sense of urgency, including speculative moves. This is followed by EUR (+0.3% d/d) after ECB's Francois Villeroy de Galhau said that the central bank should remain flexible when lowering rates, DKK and GBP (+0.3% d/d) respectively, the latter after its retail sales beat. AUD, seen as a liquid proxy to the yuan, strengthened 0.2% d/d.
- Regional currencies also strengthened against the Dollar save for the INR. SGD and CNH appreciated 0.3% d/d each, the latter benefiting from China's stimulus. MYR closed the day 0.1% d/d stronger at 4.3060, largely trading sideways during Malaysia's Budget 2025 announcement, and we think the budget is overall neutral on the MYR. (*Please refer to our separate write-up for more details on the 2025 Budget and Outlook*)
- In the commodities markets, crude oil prices plunged 1.9-2.1% d/d amid lingering concerns over demand from China and after US pushed for truce in Gaza.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	43,275.91	0.09
S&P 500	5,864.67	0.40
NASDAQ	18,489.55	0.63
Stoxx Eur 600	524.99	0.21
FTSE 100	8,358.25	-0.32
Nikkei 225	38,981.75	0.18
CSI 300	3,925.23	3.62
Hang Seng	20,804.11	3.61
Straits Times	3,640.19	0.41
KLCI 30	1,645.99	0.28
FX		
Dollar Index	103.49	-0.32
EUR/USD	1.0867	0.33
GBP/USD	1.3052	0.32
USD/JPY	149.53	-0.45
AUD/USD	0.6706	0.15
USD/CNH	7.1181	-0.26
USD/MYR	4.3060	-0.07
USD/SGD	1.3101	-0.32
Commodities		
WTI ($/bbl)	69.22	-2.05
Brent ($/bbl)	73.06	-1.87
Gold ($/oz)	2,713.70	0.84
Copper ($$/MT)	9,625.50	1.15
Aluminum($/MT)	2,612.00	2.29
CPO (RM/tonne)	4,365.50	-0.60

Source: Bloomberg, HLBB Global Markets Research
** Dated as of 17 Oct for CPO*

Malaysia: Narrower budget deficit at 3.8% of GDP for 2025; inching towards MTFF's 3.5% target

- Echoing the spirit of MADANI Economy Framework, Budget 2025 has dual aim of achieving sustainability and inclusivity through emphasis on transforming the economy, thus "Raising the Ceiling" by restructuring towards greater competitiveness and higher value-added activities, and "Raising the Floor" by improving the quality of life, in addition to strengthening governance and public delivery.
- On the macro front, MOF expects the Malaysian economy to grow moderately between 4.5-5.5% (midpoint 4.8%) in 2025 sustaining its growth trajectory of between 4.8-5.3% (midpoint 4.9%) for 2024. We believe these projections are achievable, albeit a shade higher than our in-house forecast of +4.6% for 2025 and a tad below our estimate of 5.4% for 2024. Inflation is expected to tick up but remain manageable between 2.0-3.5% in 2025 (2024e: 1.5-2.5%), where our house view of 1.9% for 2024 and 2.0-3.0% for 2025 comes in very much in line with MOF's. The government expects fiscal deficit to narrow to RM80.0bn or 3.8% of GDP in 2024 (2024e: -$84.3bn or -4.3% of GDP) while over a longer period, the government remains committed to rein in its fiscal shortfall, with the budget shortfall expected to narrow further to 3.5% of GDP under the Medium-Term Fiscal Framework (MTFF) 2025-2027, based on an average GDP growth of 4.9% and oil price assumption of $80/ barrel.
- In a separate release by DOSM last Friday, exports staged a surprised 0.3% y/y decline in September (Aug: +12.0% y/y), missing all estimates where none expected a decline, including us. This marked its first decline in six months, dragged by a marginal decline in manufacturing exports, most notably petroleum products and E&E. Meanwhile, imports maintained a double-digit increase for the 7th straight month, although the rate of expansion has also softened considerably from +26.2% to +10.9 y/y during the month. Imports of intermediate and consumption goods lost steam but capital goods imports saw a pick-up. The downside surprise in exports numbers is heightening our concerns that external demand is fast losing steam, and that growth would pull back more than initially expected in 3Q. Any further softening in growth momentum would cloud recovery outlook for the remainder of the year, hence posing downside risks to our full year growth forecast of 5.4%, unless domestic demand managed to cushion the external shortfall.

US housing indicators disappointed

- Although a 5-month high for housing starts, both housing starts and building permits disappointed in September as the housing property market continued to struggle with rising home inventory and prospective buyers holding out for lower mortgage rates. Homebuilding could have also taken a temporary hit from Hurricanes Helene and Milton, but rebuilding efforts could prove a lift in starts going forward. All in, housing starts fell more than expected by 0.5% m/m from +7.8% m/m previously, while building permits dropped 2.9% m/m (prior: +4.6% m/m).

UK's retail sales moderated but beat forecasts

- Retail sales in the UK moderated to +0.3% m/m in September (prior+ 1.0% m/m), but beat consensus forecasts who had anticipated sales to turn contractionary. Computers and telecommunications retailers grew strongly, but these were partly offset by decreases in supermarkets, where retailers attributed this to lower footfall due to bad weather and households cutting back on luxury food purchases. Despite concerns over the upcoming Autumn

Budget, the latest data suggests that consumer spending can drive GDP growth, supported by rising real wages.

- According to Rightmove, concerns over the Autumm Budget as well as expectations of cheaper mortgage rates ahead saw potential home buyers holding back on purchases, sending home prices decelerating sharply to +0.3% m/m and +1.0% y/y in October (Sep: +0.8% m/m and +1.2% y/y).

China's 3Q GDP growth moderated to 4.6%; unlikely to reach its 5.0% target for 2024

- China's economic growth eased for the second straight quarter, albeit less than expected to 4.6% y/y in 3Q from 4.7% y/y in 2Q. Key economic indicators such as consumption and property investment remained weak, reflecting a lackluster domestic demand. Despite the recent slew of supportive measures announced, the slowing growth momentum flags downside risks to growth. Against this backdrop, it is thus unlikely that the economy would hit the 5.0% growth targeted by Beijing this year (YTD and consensus: 4.8%).

Hong Kong's labour market remains tight; unemployment rate low and steady at 3.0%

- Matching expectations, the unemployment rate remained low and steady at 3.0% in 3Q, and should stay tight in the near term, supported by sustained economic growth and large-scale job fairs to match employers to job seekers.

House View and Forecasts

FX	This Week	4Q-24	1Q-25	2Q-25	3Q-25
DXY	102-105	101.56	100.54	99.53	99.04
EUR/USD	1.07-1.10	1.11	1.12	1.13	1.14
GBP/USD	1.28-1.32	1.33	1.35	1.36	1.37
USD/JPY	147-152	146	142	138	135
AUD/USD	0.65-0.69	0.68	0.69	0.70	0.71
USD/MYR	4.26-4.35	4.25	4.20	4.15	4.10
USD/SGD	1.30-1.33	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	3.25	3.00	2.75	2.50	2.25
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
21-Oct	CH 5-Year Loan Prime Rate	3.85%
	CH 1-Year Loan Prime Rate	3.35%
	US Leading Index (Sep)	-0.20%
22-Oct	MA Foreign Reserves	$119.7b
	HK CPI Composite YoY (Sep)	2.50%
	US Philadelphia Fed Non-Manufacturing Activity (Oct)	-6.1
	US Richmond Fed Manufact. Index (Oct)	-21
	US Richmond Fed Business Conditions (Oct)	-3

Source: Bloomberg

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