

22 August 2024

Global Markets Research

Daily Market Highlights

22 Aug: A dovish FOMC meeting minutes

Vast majority of FOMC members sees a rate cut in September

A whopping 818k downward revisions in labour data reaffirms rate cuts views

US and European stocks rallied; Treasury yields and DXY tumbled

- US stocks rallied in the aftermath of the downward revisions in the labour data and a dovish FOMC minutes, both reinforcing expectations for lower rates in the next FOMC meeting in September. The three major equity indices rallied 0.1-0.6% d/d, and with four of the 11 sectors that comprise the S&P 500 gaining during the session. The Russell 2000 nonetheless outperformed, with the small-cap focused index climbing 1.3% d/d. Investors also kept an eye on the latest earnings reports that trickled in. Strong results from Target and TJ Maxx showed that consumers remained resilient, but were hunting deals.
- In Europe, Stoxx Eur gained 0.3% d/d overnight, as nearly all sectors traded positive led by auto, mining and retail stocks. Asian equity markets closed mixed but are set to rally today following Fed's dovish outlook.
- Treasury yields broadly tumbled on the payroll revision, and fell further after the FOMC minutes. The 2Y yield closed the day 5bps lower at 3.93%, and the 10Y 1bps lower at 3.80%. 10Y European bond yields closed the day 2-4bps lower.
- DXY slumped to as low as 100.92 minutes after the release of the FOMC minutes, but pared its losses and closed the day at 101.14 (-0.2% d/d). With the exception of AUD (-0.1% d/d) and NOK, all G10 currencies strengthened against the USD led by GBP, CHF and SEK (0.2-0.5% d/d). Regional currencies, on the other hand, weakened against the Dollar, save for the THB, PHP, MYR (+0.1% d/d to 4.3790) and JPY which eked out a marginal gain to 145.21.
- Oil fell another day by 1.4-2.6% d/d as progress in the cease-fire talk in the Middle East weighed on crude oil prices, although no deal has been struck at the point of writing. On a positive note, data overnight showed that US crude inventories shrank to its lowest since January, allaying some concerns on lacklustre demand.

Vast majority of FOMC members sees a September rate cut; payroll gains overstated

- Key highlight from the minutes to the latest FOMC meeting was that the vast majority of members opined that if data continues to come in about as expected, it would likely be **appropriate to ease policy at the September FOMC meeting**.
- Other highlights include: 1) The labour market remains strong but not overheated. Some participants flagged risks of a more serious deterioration in the labour market, while many noted that the **reported payroll gains might be overstated**. In fact, the BLS reported in a preliminary revision of the nonfarm payroll numbers from April 2023 through March 2024, that gains

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	40,890.49	0.14
S&P 500	5,620.85	0.42
NASDAQ	17,918.99	0.57
Stoxx Eur 600	513.95	0.33
FTSE 100	8,283.43	0.12
Nikkei 225	37,951.80	-0.29
CSI 300	3,321.64	-0.33
Hang Seng	17,391.01	-0.69
Straits Times	3,373.76	0.10
KLCI 30	1,635.32	-0.45
FX		
Dollar Index	101.14	-0.23
EUR/USD	1.1150	0.18
GBP/USD	1.3091	0.44
USD/JPY	145.21	-0.03
AUD/USD	0.6744	-0.01
USD/CNH	7.1329	0.22
USD/MYR	4.3790	-0.06
USD/SGD	1.3058	0.05
Commodities		
WTI (\$/bbl)	71.94	-2.55
Brent (\$/bbl)	76.07	-1.41
Gold (\$/oz)	2,526.90	-0.08
Copper (\$\$/MT)	9,249.00	0.74
Aluminum(\$/MT)	2,481.00	0.20
CPO (RM/tonne)	3,900.50	-0.43

Source: Bloomberg, HLBB Global Markets Research

* Dated as of 20 Aug for CPO

may have been overstated by 818k. 2) FOMC members are confident that inflation has and will move sustainably towards 2.0% due to waning pricing power, moderating economic growth, runoff in excess household savings, moderation in labor costs and due to lags in the housing rental market. 3) Lower-income households are feeling the strain from the higher living costs, and this is evident in the rising credit card delinquency rates and an increased share of households paying the minimum due on balances. 4) In their assessment of the financial system, staff members characterized the system's **financial vulnerabilities as notable**. 5) Residential investment was weak in 2Q. Separate data suggests that will likely remain so in 3Q as mortgage applications contracted 10.1% w/w for the week ended August 16 (prior: +16.8% w/w). This was despite the 30Y fixed mortgage rate falling for the third consecutive week to 6.50%, its lowest since May 2023. Purchase applications also slid to its lowest since February 2024.

Australia's 6-month annualized growth rate for Leading Index and Composite PMI turned positive, suggesting stability for the economy

- In Australia, the slew of economic indicators released point to stability for the economy. The Westpac Leading fell 0.04% m/m in July, but the 6-month annualized growth rate ticked up into positive territory by +0.06% in (prior: +0.01% m/m and -0.08%), supported by monthly hours worked and US IPI.
- The flash Composite PMI also turned expansionary at 51.4 for the month of August (Jul: 49.9), as the services sector (52.2 vs 50.4) picked up momentum while manufacturing (48.7 vs 47.5) recovers. Indicators also point to further upward pressure on business costs but a welcome weakening in final prices, improvement in new orders while employment growth and business confidence accelerated.

House View and Forecasts

FX	This Week	3Q-24	4Q-24	1Q-25	2Q-25
DX	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
22-Aug	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

23-Aug	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
	UK GfK Consumer Confidence (Aug)	-13
	JN Natl CPI YoY (Jul)	2.80%
	SI CPI YoY (Jul)	2.40%
	EC ECB 1 Year CPI Expectations (Jul)	2.80%
	US New Home Sales MoM (Jul)	-0.60%
	US Kansas City Fed Services Activity (Aug)	-4

Source: Bloomberg

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