

26 August 2024

Global Markets Research

Daily Market Highlights

26 Aug: Powell sent strongest signal for a Sept rate cut

Powell's "The time has come for policy to adjust" sent UST yields and DXY lower
ECB's Vujcic sees gradual rate cuts; BOE's Bailey sees inflation risk diminishing
BOJ's Ueda reaffirmed long-term rate hike plan despite market volatility

- Wall Street took a leg up last Friday after Fed Chair Jerome Powell sent his strongest signal that it's time for interest rate cuts. In his own words, Powell said that "**The time has come for policy to adjust**," noted progress on the inflation front and that the central bank can now focus equally to the other side of its dual mandate, namely to support maximum sustainable employment. He, however, offered few clues as to how the central bank may proceed after the September FOMC meeting. The three major equity indices rallied 1.1-1.5% d/d led by tech stocks, and thus Nasdaq. Small-cap stocks also gained, and the Russell 2000 advanced 3.2% d/d.
- European markets also closed higher following Powell's comments. Stoxx Eur 600 closed up 0.5% d/d led by retail and real estate stocks. Asian stocks closed mixed but are poised for early gains today tracking Wall Street and futures.
- The confirmation by Powell that rates could be lowered next month sent Treasury yields sliding in tune to 4-9bps led by the shorter end tenures. The 2Y yield fell 9bps to 3.92% while the 10Y yield fell 5bps to 3.80%. 10Y European bond yields slid in tune to 1-5bps.
- DXY dropped to its lowest since July 2023 at 100.72 (-0.8% d/d) and the Dollar weakened against all its G10 peers and regional currencies. Leading gains against USD amongst G10 were NZD, AUD, NOK and JPY (1.3-1.6% d/d), the latter after BOJ governor Kazuo Ueda commented that recent market volatility would not derail its long-term rate hike plan. EUR appreciated 0.7% d/d after ECB Governing Council member Boris Vujcic said that ECB has room to raise rates gradually, and GBP strengthened by 0.9% d/d after BOE Governor Andrew Bailey commented that it is too early to declare victory over inflation but inflation risk is diminishing. On the regional front, KRW, IDR and SGD led gains against USD in tune to 0.7-1.0% d/d, while MYR strengthened 0.1% d/d to 4.3748.
- Oil prices rebounded between 2.3-3.5% d/d thanks to the weaker USD and risk-on mood after Powell's speech, and will most likely keep elevated today as traders watch out for the rising tensions in the Middle East.

US new home sales jumped more than expected, highest level since May 2023

- Positive economic data from the US. New home sales jumped more than expected by 10.6% m/m in July to its highest level since May 2023 at 739k (June: +0.3% m/m and 668k), as buyers took advantage of the lower mortgage rates, incentives by builders and more listings for home purchases. The pickup in sales allowed builders to pare down their inventory to its lowest level in 2024 at 462k or representing 7.5 months of supply (prior: 467k and 8.4

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	41,175.08	1.14
S&P 500	5,634.61	1.15
NASDAQ	17,877.79	1.47
Stoxx Eur 600	518.13	0.46
FTSE 100	8,327.78	0.48
Nikkei 225	38,364.27	0.40
CSI 300	3,327.19	0.42
Hang Seng	17,612.10	-0.16
Straits Times	3,387.99	0.43
KLCI 30	1,635.74	-0.36
FX		
Dollar Index	100.72	-0.78
EUR/USD	1.1192	0.72
GBP/USD	1.3214	0.94
USD/JPY	144.37	-1.31
AUD/USD	0.6795	1.34
USD/CNH	7.1162	-0.43
USD/MYR	4.3748	-0.07
USD/SGD	1.3012	-0.71
Commodities		
WTI (\$/bbl)	74.83	2.49
Brent (\$/bbl)	79.02	2.33
Gold (\$/oz)	2,508.40	1.19
Copper (\$\$/MT)	9,288.50	1.73
Aluminum (\$/MT)	2,542.00	2.50
CPO (RM/tonne)	3,925.00	0.81

Source: Bloomberg, HLBB Global Markets Research

* Dated as of 22 Aug for CPO

months). Home prices stood at \$429.8k, up 2.0% y/y and 3.1% m/m (prior: -0.1% y/y and 2.1% m/m).

- The Kansas City Fed Activity index suggests that economic activity grew in August (+5 vs -4) while expectations for the future increased moderately). Selling prices increased after staying flat last month, but are still growing at a slower pace than input prices.

Eurozone's inflationary expectations steady but above expectations at 2.8% for the 1Y

- Inflationary expectations for July were shades higher than expected, holding steady at 2.8% for the 1Y horizon and inching up to 2.4% for the 3Y. The former was the lowest since September 2021 and thus, unlikely to change the course of an easing policy going forward.

Singapore's inflationary pressure more benign than expected; core eased to 2.5%, its lowest in 2 years

- Core inflation slowed more than expected and for the second month to 2.5% y/y in July (prior: 2.9% y/y), its lowest in 2 years, while the headline also undershot expectations and held steady at 2.4% y/y. The slowdown in core was driven by softer inflation across all broad categories and was largely in line with MAS' outlook for gradual moderating trend over the rest of the quarter, stepping down further in 4Q as well as official's projection of 2.5–3.5% for the whole of 2024. With this, we do not expect any change in MAS monetary policy stance in October but the steeper decline will give leeway to loosen its monetary policy if needed.

House View and Forecasts

FX	This Week	3Q-24	4Q-24	1Q-25	2Q-25
DX	100-103	102.41	100.87	99.86	98.86
EUR/USD	1.09-1.13	1.11	1.12	1.10	1.08
GBP/USD	1.29-1.33	1.29	1.30	1.30	1.29
USD/JPY	143-150	145	143	140	137
AUD/USD	0.65-0.69	0.66	0.66	0.67	0.68
USD/MYR	4.34-4.42	4.50	4.40	4.35	4.30
USD/SGD	1.30-1.33	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
26-Aug	CH 1-Yr Medium-Term Lending Facility Rate	2.30%
	SI Industrial Production SA MoM (Jul)	-3.80%
	US Durable Goods Orders (Jul P)	-6.70%
	US Cap Goods Orders Nondef Ex Air (Jul P)	0.90%
	US Dallas Fed Manf. Activity (Aug)	-17.5
27-Aug	JN PPI Services YoY (Jul)	3.00%
	CH Industrial Profits YTD YoY (Jul)	3.50%
	HK Exports YoY (Jul)	10.70%
	UK CBI Retailing Reported Sales (Aug)	-43

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US House Price Purchase Index QoQ (2Q)	1.10%
US FHFA House Price Index MoM (Jun)	0.00%
US S&P CoreLogic CS US HPI YoY NSA (Jun)	5.94%
US Conf. Board Consumer Confidence (Aug)	100.3
US Richmond Fed Manufact. Index (Aug)	-17
US Richmond Fed Business Conditions (Aug)	-9
US Dallas Fed Services Activity (Aug)	-0.1

Source: Bloomberg

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