

27 August 2024

Global Markets Research

Daily Market Highlights

27 Aug: Jump in oil prices amid geopolitical tension

Haven buying supported USD; Mildly higher bond yields; Mixed equity markets

Weak US core durable & capital goods orders; PBoC maintained MLF rates

Softer services PPI for Japan; stronger manufacturing output for Singapore on E&E

- The Dow Jones Industrial Average closed at a record high, but Nasdaq and S&P 500 lost some steam coming off their best 2-week stretch of the year. The 30-stock Dow closed up 0.2% d/d, but S&P 500 and Nasdaq lost 0.3% d/d and 0.9% d/d respectively, pushed lower by a broad decline in technology stocks. Chip stocks like Micron, ARM Holdings and Nvidia all closed lower during the day, the latter on profit taking ahead of its earnings, while American depository receipts in Chinese e-commerce company PDD also plunged after missing consensus earnings forecasts. Energy stocks, nonetheless, outperformed amid higher oil prices during the day.
- In Europe, UK markets were closed for the summer bank holiday, while trading in Stoxx Eur 600 was largely muted and closed just below the flatline. Asian markets closed mixed but are set to fall today tracking futures and as tech stocks weighed on Wall Street.
- In the bond market, Treasury yields ticked higher between 1-2bps across the curve and with the benchmarks 2- and 10-Y closing at 3.94% and 3.82% respectively. 10Y European bond yields also closed higher within a narrow range of 1-3bps.
- Haven buying amid the escalating geopolitical tension supported the Dollar, and sent DXY rebounding 0.1% d/d to 100.85. All G10 currencies weakened against the Dollar led by NOK, NZD and AUD. CAD and CHF (+0.1% d/d each) were the outliers and outperformed, with the loonies benefitting from the surge in oil prices overnight. Regional currencies closed mixed against the USD, with MYR appreciating 0.6% d/d to 4.3488 but CNH and SGD weakened 0.1-0.2% d/d.
- Oil prices closed up 3.1-3.5% d/d after news that Libya's eastern government was shutting down production and exports, adding to the bullish impact from increasing tension in the Middle East.

China maintained 1Y MLF rate at 2.30%

- As widely expected, the People's Bank of China (PBoC) maintained its 1Y medium-term lending facility (MLF) rate unchanged at 2.30%. Amid still sluggish consumer spending, extended housing slump and soft inflationary pressures, PBoC will most likely lower their rates further going forward but the central bank will balance this against protecting bank profit margins and health of the financial institutions.

Weak core durable and capitals goods orders for the US

- Durable goods rebounded sharply in July amid a temporary boost from defense aircraft, but stripping the volatile transport category, orders fell

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	41,240.52	0.16
S&P 500	5,616.84	-0.32
NASDAQ	17,725.77	-0.85
Stoxx Eur 600	518.05	-0.02
FTSE 100	8,327.78	0.48
Nikkei 225	38,110.22	-0.66
CSI 300	3,324.22	-0.09
Hang Seng	17,798.73	1.06
Straits Times	3,396.03	0.24
KLCI 30	1,638.96	0.20
FX		
Dollar Index	100.85	0.13
EUR/USD	1.1161	-0.28
GBP/USD	1.3188	-0.20
USD/JPY	144.53	0.11
AUD/USD	0.6772	-0.34
USD/CNH	7.1229	0.09
USD/MYR	4.3488	-0.59
USD/SGD	1.3041	0.22
Commodities		
WTI (\$/bbl)	77.42	3.46
Brent (\$/bbl)	81.43	3.05
Gold (\$/oz)	2,517.70	0.37
Copper (\$\$/MT)	9,288.50	1.73
Aluminum(\$/MT)	2,542.00	2.50
CPO (RM/tonne)	3,953.50	0.73

Source: Bloomberg, HLBB Global Markets Research

* Dated as of 23 Aug for CPO, FTSE 100, Copper and aluminium

more than expected by 0.2% m/m in July from +0.1% m/m previously. Capital goods orders nondef ex air, a proxy for investment, slid 0.1% d/d after the prior month's +0.5% m/m, also worse than expected as many firms delay long-term investment amid economic uncertainty and pending policy clarity from the presidential election. By sector, the decline in orders were led by primary metal, computers, communications gear, electrical equipment as well as autos.

- Meanwhile, the manufacturing sector continued to remain weak in the Texas region, with the Dallas Fed Manufacturing Activity index still negative at -9.7 in August (prior: -17.5). Expectations regarding future manufacturing activity remained positive but showed mixed movement amongst the sub-indicators

Japan's services PPI eased more than expected to 2.8%

- Services producer price inflation (PPI) eased more than expected to +2.8% y/y in July from +3.1% y/y previously, with broad based deceleration observed and led by tourism-related activities like hotels and domestic airport transportation as well as real estate and information & communication sectors. While the BOJ may hold back from raising rates given the downtick in prices and volatility in the financial market at this juncture, there is no change that the economy is on track to achieve its price stability target in 2024 and the central bank remains on a tightening trend over the longer term.

Singapore's manufacturing production expanded at a stronger than expected pace

- Manufacturing production grew more than expected by 1.8% y/y and 10.1% m/m in July (prior: -4.3% y/y and m/m) as output in the biomedical sector remained sluggish while output of electronics grew 2.8% y/y (prior: -6.7% y/y) driven by computer peripherals & data storage, other electronics modules & components and semiconductors segments. As it is, the uptick was largely in line with the strong electronics exports during the month and is expected to remain resilient for the rest of 2024 bolstered by the broadening tech upturn and the expected decline in global interest rates

House View and Forecasts

FX	This Week	3Q-24	4Q-24	1Q-25	2Q-25
DXY	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
27-Aug	CH Industrial Profits YTD YoY (Jul)	3.50%
	HK Exports YoY (Jul)	10.70%
	UK CBI Retailing Reported Sales (Aug)	-43
	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
28-Aug	AU CPI Trimmed Mean YoY (Jul)	4.10%
	US MBA Mortgage Applications	-10.10%

Source: Bloomberg

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