

30 July 2024

Global Markets Research

Daily Market Highlights

30 July: Cautious sentiment ahead of crucial policy meetings

Equity and bond markets closed mixed ahead of corporate earnings and policy announcements

DXY strengthened to its 2-week high; Brent crude retreated below \$80/barrel

Slower UK consumer credit & mortgage approvals; still tight Japanese labour market

- The global equity markets kickstarted the week on a mixed note, as investors largely geared up for a busy week of corporate earnings and policy announcements from central banks. In the US, S&P 500 and Nasdaq eked out mild gains of 0.1% d/d each, while the Dow Jones Industrial Average ended up 0.1% d/d lower in a day of tepid trading. Energy stocks led losses amid lower crude oil prices while among individual stocks, McDonald's rose 3.7% d/d despite reporting the first quarterly decline in same store sales since 2020, a sign of cautious consumer spending. Tech giants like Microsoft, Meta Platforms, Apple and Amazon, meanwhile, are all set to report their quarterly results in the coming days.
- In Europe, the Stoxx 600 closed 0.2% d/d lower, with most sectors and bourses trading in the red. Autos and travel stocks led losses, while corporate earnings came in mixed. Asian markets climbed led by Japan's Nikkei 225, but are set to fall today following the futures.
- Trading in the bond market was quiet, with the 2Y Treasury yields closing up 2bps to 4.40%, but the 10Y slid 2bps to 4.17%. 10Y European bond yield also fell in tune to 4-5bps.
- DXY rallied to its highest in two weeks, gaining 0.2% d/d to 104.56, and with most G10 and regional currencies closing weaker against the Dollar. EUR, DKK and CHF (-0.3% d/d each) led losses against the greenback on the G10 front, while NOK and AUD appreciated slightly between 0-0.2% d/d. PHP and JPY (-0.2% to -0.3% d/d) were the leading laggards amongst regional currencies, while MYR (+0.5% d/d to 4.6363), KRW and IDR strengthened against the Dollar.
- In the commodity markets, Brent slid below \$80/barrel and both the WTI and Brent fell 1.7-1.8% d/d amid concerns over softening demand in view of faltering China growth. This week, investors will also be looking out for the OPEC+ meeting, and markets remain split as to whether the cartel will proceed with output hikes later this year.

Manufacturing activity in the Dallas region worsened

- Mainly reflecting the pullback in demand, the Dallas Fed Manufacturing Activity index unexpectedly worsened to -17.5 in July from -15.1 previously. While the company outlook index also stumbled 12 points to -18.4 and the outlook uncertainty index shot up to 30.7, its highest reading since fall 2022, expectations regarding future manufacturing activity mostly improved during the month.

UK's net consumer credit and mortgage approvals eased slightly

- The slightly negative indicators released in the UK showed how elevated

Key Market Metrics

| | Level | d/d (%) |
|--------------------|-----------|---------|
| Equities | | |
| Dow Jones | 40,539.93 | -0.12 |
| S&P 500 | 5,463.54 | 0.08 |
| NASDAQ | 17,370.20 | 0.07 |
| Stoxx Eur 600 | 511.79 | -0.20 |
| FTSE 100 | 8,292.35 | 0.08 |
| Nikkei 225 | 38,468.63 | 2.13 |
| CSI 300 | 3,390.74 | -0.54 |
| Hang Seng | 17,238.34 | 1.28 |
| Straits Times | 3,444.18 | 0.52 |
| KLCI 30 | 1,624.56 | 0.72 |
| FX | | |
| Dollar Index | 104.56 | 0.24 |
| EUR/USD | 1.0821 | -0.32 |
| GBP/USD | 1.2862 | -0.04 |
| USD/JPY | 154.02 | 0.17 |
| AUD/USD | 0.6549 | 0.02 |
| USD/CNH | 7.2716 | 0.11 |
| USD/MYR | 4.6363 | -0.46 |
| USD/SGD | 1.3434 | 0.06 |
| Commodities | | |
| WTI (\$/bbl) | 75.81 | -1.75 |
| Brent (\$/bbl) | 79.78 | -1.66 |
| Gold (\$/oz) | 2,377.80 | -0.13 |
| Copper (\$\$/MT) | 9,026.00 | -0.93 |
| Aluminum(\$/MT) | 2,250.50 | -1.68 |
| CPO (RM/tonne) | 4,048.00 | 1.10 |

Source: Bloomberg, HLBB Global Markets Research
* Dated as of 26 July for CPO

inflation and mortgage rates continued to weigh on consumers and the housing market, although anticipation of rate cuts in 2H may spur demand in 2H. Mortgage approvals remained broadly stable but eased to 60.0k in June (May: 60.1k), while net consumer credit borrowing fell more than expected to £1.2bn from £1.5bn previously, the latter largely reflecting declines in credit cards as well as net borrowing through other forms of consumer credit (such as car dealership finance and personal loans). Retailers also felt the sting from a harsh mix of unfavourable weather conditions and ongoing market uncertainty in July, sending the CBI Retailing Reported Sales falling at a faster pace of -43% from -24% previously. This was below consensus forecast and retailers expect sales to fall at a slower rate next month (-32%).

Japan's unemployment rate eased to 2.5% as the labour market remains tight

- Both the jobless rate and job-applicant ratio unexpectedly eased to 2.5% and 1.23 in June (May: 2.6% and 1.24) in a sign that the labour market remains tight and likely to keep sustained wage growth going forward. With the labour ministry proposing a 50-yen increase in hourly minimum wage for this fiscal year as well, we expect this wage growth to ripple across all sectors, keeping an eye on the SMEs, likely spurring recovery in consumer and demand-pull inflation, and backing case for a BOJ rate hike this quarter.

Vietnam's inflation rate inched closer to government's target ceiling; robust domestic and external demand

- A continuous strong set of indicators for Vietnam. Retail sales accelerated to 9.4% y/y in July, while exports and IPI continued to log double-digit growths of 19.1% y/y and 11.2% y/y respectively (June: +9.1% y/y, +10.5% y/y and 10.9% y/y respectively). This marks the fifth month of acceleration for IPI, led by strong growths in the manufacturing sector, while Vietnam's agriculture exports soared on robust global demand and higher commodity prices, complimenting strong manufactured goods exports during the month. As it is, the former (agriculture) exports are expected to hold steady in 2H, as outlook for the latter remains optimistic on favourable seasonal conditions and strong growth appetite.
- On the inflation front, Vietnam's CPI unexpectedly accelerated to 4.4% y/y from 4.3% y/y previously, further closing the gap towards the government's inflation target ceiling of 4.5% for the year. Prices were driven by factors like higher food prices and possibly, some demand-pull inflation after the upward revisions in salaries for state employees and pensions during the month. Amid upside risks to inflation and expectations that the economy will most likely achieve its targeted 6.0-6.5% growth this year, we thus, expect the central bank to most likely maintain its policy rates unchanged for the rest of 2024.

House View and Forecasts

| FX | This Week | 3Q-24 | 4Q-24 | 1Q-25 | 2Q-25 |
|-----------|------------------|--------------|--------------|--------------|--------------|
| DXY | 102-106 | 104.28 | 102.71 | 101.69 | 100.67 |
| EUR/USD | 1.07-1.10 | 1.08 | 1.09 | 1.08 | 1.06 |
| GBP/USD | 1.26-1.30 | 1.28 | 1.29 | 1.28 | 1.28 |
| USD/JPY | 152-156 | 158 | 155 | 151 | 148 |
| AUD/USD | 0.64-0.67 | 0.67 | 0.68 | 0.69 | 0.69 |
| USD/MYR | 4.64-4.68 | 4.66 | 4.60 | 4.54 | 4.50 |
| USD/SGD | 1.33-1.36 | 1.34 | 1.33 | 1.32 | 1.30 |

| Rates, % | Current | 3Q-24 | 4Q-24 | 1Q-25 | 2Q-25 |
|----------|-----------|-----------|------------|------------|-----------|
| Fed | 5.25-5.50 | 5.25-5.50 | 5.00-5.25 | 4.75-5.00 | 4.50-4.75 |
| ECB | 3.75 | 3.50 | 3.25 | 3.00 | 2.75 |
| BOE | 5.25 | 5.00 | 4.75 | 4.50 | 4.25 |
| BOJ | 0 - 0.10 | 0.10-0.20 | 0.10- 0.20 | 0.20- 0.30 | 0.20-0.30 |
| 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 |
|----------------|--|--------|
| 30-Jul | AU Private Sector Houses MoM (Jun) | 2.10% |
| | EC Economic Confidence (Jul) | 95.9 |
| | EC GDP SA QoQ (2Q A) | 0.30% |
| | US FHFA House Price Index MoM (May) | 0.20% |
| | US S&P CoreLogic CS US HPI YoY NSA (May) | 6.29% |
| | US JOLTS Job Openings (Jun) | 8140k |
| | US Conf. Board Consumer Confidence (Jul) | 100.4 |
| | US Dallas Fed Services Activity (Jul) | -4.1 |
| 30 Jul – 5 Aug | UK Nationwide House Px NSA YoY (Jul) | 1.50% |
| 30-31 Jul | SI Unemployment rate SA (Jun) | 2.10% |
| 31-Jul | UK Lloyds Business Barometer (Jul) | 41 |
| | JN Retail Sales MoM (Jun) | 1.70% |
| | JN Industrial Production MoM (Jun P) | 3.60% |
| | CH Manufacturing PMI (Jul) | 49.5 |
| | CH Non-manufacturing PMI (Jul) | 50.5 |
| | AU Retail Sales MoM (Jun) | 0.60% |
| | AU Private Sector Credit MoM (Jun) | 0.40% |
| | AU CPI YoY (Jun) | 4.00% |
| | JN Consumer Confidence Index (Jul) | 36.4 |
| | HK GDP YoY (2Q A) | 2.70% |
| | EC CPI Core YoY (Jul P) | 2.90% |
| | US MBA Mortgage Applications | -2.20% |
| | US ADP Employment Change (Jul) | 150k |
| | US Employment Cost Index (2Q) | 1.20% |
| | US MNI Chicago PMI (Jul) | 47.4 |
| | US Pending Home Sales MoM (Jun) | -2.10% |
| | JN BOJ Target Rate (Upper Bound) | 0.10% |

Source: Bloomberg

Hong Leong Bank Berhad

Fixed Income & Economic Research, Global
Markets
Level 8, Hong Leong Tower
6, Jalan Damanlela
Bukit Damansara
50490 Kuala Lumpur
Tel: 603-2081 1221
Fax: 603-2081 8936

HLMarkets@hlbb.hongleong.com.my

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