

31 July 2024

Global Markets Research

Daily Market Highlights

31 July: Broadly risk-off mood ahead of FOMC & BOJ meetings

Haven currencies and bonds outperformed; global equity markets closed mixed

US consumer confidence jumped on improved outlook; labour market cooled

Eurozone grew a steady 0.3% q/q in 2Q even as the German's economy contracted

- Tuesday saw investors dumping megacap tech stocks before the quarterly results from names in that cohort and as investors braced for the ongoing FOMC meeting. Both the S&P 500 and Nasdaq lost 0.5-1.3% d/d, but Dow Jones climbed 0.5% d/d. AMD reported after the bell and boosted its sales forecast on demand for its AI chips, while Microsoft's cloud miss overshadowed its better-than-expected earnings. Outside tech, Merck and Procter & Gamble reported mixed earnings and guidance.
- The Stoxx Eur 600, nonetheless, closed 0.5% d/d higher with most sectors in positive territory and led by construction and industrial materials after the euro area grew more than forecast, while Asian stocks dropped amid risk-off mood ahead of key policy decisions.
- Haven demand gave bonds a boost, sending Treasury yields down 3-4 across the curve and the 2- and 10Y closing at 4.36% and 4.14%. 10Y European bond yields also fell 0-5bps.
- Haven currencies were mostly winners in the forex markets amidst a risk-off mood ahead of the central bank policy decisions and escalating Middle East geopolitical tension. DXY rallied to as high as 104.80, but lost altitude towards the end to close at 104.55 (just below the flatline). JPY, SEK, NZD, NOK and CHF jumped in tune to 0.4-0.8% d/d, while EUR, DKK, AUD and GBP weakened 0.1-0.2% d/d against greenback. Regional currencies also closed mixed against the Dollar, with the MYR and SGD 0.1-0.3% d/d stronger at 4.6217 and 1.3422.
- In the commodities markets, gloomy outlook for demand in China continues to weigh on oil prices, sending both Brent and the WTI sliding another 1.4% d/d each.

US consumer confidence jumped on improved outlook; job openings eased, softer home price appreciation

- Driven by the improvement in consumers' outlook for income, the Conference Board Consumer Confidence Index came better than expected at 100.3 in July (June: downwardly revised 97.8). The Expectations index rose to 78.2 (June: 72.8), but was still below the 80 threshold which usually signals a recession ahead. In contrast, the Present Situation index deteriorated to 133.6 (June: 135.3), as consumers were feeling the sting from the softer labour market. This was reflected by the sub-index for the latter falling to its lowest since March 2021.
- JOLTS job openings data showed that the labour market was moving to "balanced", with the headline number easing to 8.18m in June from May's upwardly revised 8.23m. The data was better than expected, and led by less job openings in durable goods manufacturing as well as the federal

Key Market Metrics

| | Level | d/d (%) |
|--------------------|-----------|---------|
| Equities | | |
| Dow Jones | 40,743.33 | 0.50 |
| S&P 500 | 5,436.44 | -0.50 |
| NASDAQ | 17,147.42 | -1.28 |
| Stoxx Eur 600 | 514.08 | 0.45 |
| FTSE 100 | 8,274.41 | -0.22 |
| Nikkei 225 | 38,525.95 | 0.15 |
| CSI 300 | 3,369.38 | -0.63 |
| Hang Seng | 17,002.91 | -1.37 |
| Straits Times | 3,441.77 | -0.07 |
| KLCI 30 | 1,611.94 | -0.78 |
| FX | | |
| Dollar Index | 104.55 | -0.01 |
| EUR/USD | 1.0815 | -0.06 |
| GBP/USD | 1.2836 | -0.20 |
| USD/JPY | 152.77 | -0.81 |
| AUD/USD | 0.6538 | -0.17 |
| USD/CNH | 7.2438 | -0.38 |
| USD/MYR | 4.6217 | -0.31 |
| USD/SGD | 1.3422 | -0.09 |
| Commodities | | |
| WTI (\$/bbl) | 74.73 | -1.42 |
| Brent (\$/bbl) | 78.63 | -1.44 |
| Gold (\$/oz) | 2,405.00 | 1.14 |
| Copper (\$\$/MT) | 8,972.00 | -0.60 |
| Aluminum(\$/MT) | 2,224.50 | -1.16 |
| CPO (RM/tonne) | 4,037.00 | -0.27 |

Source: Bloomberg, HLBB Global Markets Research
* Dated as of 29 July for CPO

government. The ratio of job openings to unemployed fell modestly to 1.20 (May: 1.24), on par to pre-pandemic and quit rate was unchanged at 2.1%.

- Softer house price appreciation continued in May amid a slight rise in both mortgage rates and housing inventory. The FHFA House Price Index was flat m/m after April's +0.3% m/m, and grew at a slower pace of 5.7% y/y (Apr: +6.5% y/y). Meanwhile, the S&P CoreLogic House Price index was unchanged at +0.3% m/m and eased to +5.9% y/y for the same month (Apr: +6.4% y/y). Both prints, were nonetheless, better than expected.
- The Dallas Fed Services Activity index (-0.1 vs -4.1) suggests that the services sector improved in July, although it remains moderate in the Texas region. The uptick was driven by the revenue sub-index, and expectations regarding future business activity reflected more optimism for the same month (19.1 vs 3.0).

Eurozone grew a steady 0.3% q/q in 2Q even as the German's economy contracted; Economic confidence also broadly stable, only dipping slightly

- The economy remained steady, growing by 0.3% q/q in 2Q, despite Germany unexpectedly posting a 0.1% contraction in the quarter (1Q: +0.2% q/q). Eurozone's data was below street forecasts but a shade lower than ECB's staff projection of 0.4% q/q, while separate data showed that the Economic Confidence Index also overshot expectations, slightly dipping 0.1ppts to 95.8 in July. The sideward trend resulted from decreases in services and retail trade confidence, offset by improved confidence in construction and among consumers and by member countries, a stable Germany, but deteriorated for Italy and France. All in, the latest data is unlikely to significantly impact ECB's easing path and with this, we expect the ECB to cut rates again by 25bps in September.

Business confidence in the UK rebounded

- Business sentiment, as reflected by the Lloyd's Business Barometer improved to 50 in July from 41 previously. All the sub-indices improved, led by improved expectations on business activity in the next 12 months while prices charged also rose, suggesting persistence inflationary risks.

Building approvals in Australia plunged

- Building approvals plunged more than expected by 6.5% m/m in June (May: +5.7% m/m), sending YTD approvals to its lowest on a financial year basis, as high construction costs, interest rates as well as material and labour shortages continued to impact the housing sector.

Japan's retail sales slowed, IPI fell m/m

- Softer data prints ahead of BOJ's decision today, resulting in OIS cutting its probability of a 10bps rate hike slightly to 116% at the point of writing. IPI declined 3.6% m/m in May (Apr: +3.6% m/m), better than street estimate while retail sales slowed to +0.6% m/m (Apr: +1.6% m/m), worse than consensus forecast. As it is, the weak production data and softer spending will weigh on BOJ's decision today, but expectations that output will pick up later in the year post-suspension of Toyota as well as an upswing in the global semiconductor cycle should lend support for economic recovery and monetary policy tightening decision going forward.

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 |
|--------|--|---------|
| 31-Jul | 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% |
| 1-Aug | US FOMC Rate Decision (Upper Bound) | 5.50% |
| | AU Judo Bank Australia PMI Mfg (Jul F) | 47.4 |
| | JN Jibun Bank Japan PMI Mfg (Jul F) | 49.2 |
| | MA S&P Global Malaysia PMI Mfg (Jul) | 49.9 |
| | VN S&P Global Vietnam PMI Mfg (Jul) | 54.7 |
| | AU Exports MoM (Jun) | 2.80% |
| | CH Caixin China PMI Mfg (Jul) | 51.8 |
| | EC HCOB Eurozone Manufacturing PMI (Jul F) | 45.6 |
| | HK Retail Sales Value YoY (Jun) | -11.50% |
| | UK S&P Global UK Manufacturing PMI (Jul F) | 51.8 |
| | EC Unemployment Rate (Jun) | 6.40% |
| | UK Bank of England Bank Rate | 5.25% |
| | US Challenger Job Cuts YoY (Jul) | 19.80% |
| | US Unit Labor Costs (2Q P) | 4.00% |
| | US Initial Jobless Claims | 235k |
| | UK DMP 1 Year CPI Expectations (Jul) | 2.80% |
| | US S&P Global US Manufacturing PMI (Jul F) | 49.5 |
| | US ISM Manufacturing (Jul) | 48.5 |

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

DISCLAIMER

This report is for information purposes only and does not take into account the investment objectives, financial situation or particular needs of any particular recipient. The information contained herein does not constitute the provision of investment advice and is not intended as an offer or solicitation with respect to the purchase or sale of any of the financial instruments mentioned in this report and will not form the basis or a part of any contract or commitment whatsoever.

The information contained in this publication is derived from data obtained from sources believed by Hong Leong Bank Berhad ("HLBB") to be reliable and in good faith, but no warranties or guarantees, representations are made by HLBB with regard to the accuracy, completeness or suitability of the data. Any opinions expressed reflect the current judgment of the authors of the report and do not necessarily represent the opinion of HLBB or any of the companies within the Hong Leong Bank Group ("HLB Group"). The opinions reflected herein may change without notice and the opinions do not necessarily correspond to the opinions of HLBB. HLBB does not have an obligation to amend, modify or update this report or to otherwise notify a reader or recipient thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

HLB Group, their directors, employees and representatives do not have any responsibility or liability to any person or recipient (whether by reason of negligence, negligent misstatement or otherwise) arising from any statement, opinion or information, expressed or implied, arising out of, contained in or derived from or omission from the reports or matter.

Potential and actual conflict of interest may arise from the activities of HLB Group. HLB Group constitute a diversified financial services group. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, hedging transactions and other activities for their own account or the account of others. In the ordinary course of their business, HLB Group may effect transactions for their own account or for the account of their customers and hold long or short positions in the financial instruments. HLB Group, in connection with its business activities, may possess or acquire material information about the financial instruments. Such activities and information may involve or have an effect on the financial instruments. HLB Group have no obligation to disclose such information about the financial instruments or their activities.

The past performance of financial instruments is not indicative of future results. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Any projections or forecasts mentioned in this report may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information. No assurance can be given that any opinion described herein would yield favourable investment results. Recipients who are not market professional or institutional investor customer of HLBB should seek the advice of their independent financial advisor prior to taking any investment decision based on the recommendations in this report.

HLBB may provide hyperlinks to websites of entities mentioned in this report, however the inclusion of a link does not imply that HLBB endorses, recommends or approves any material on the linked page or accessible from it. Such linked websites are accessed entirely at your own risk. HLBB does not accept responsibility whatsoever for any such material, nor for consequences of its use.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. This report is for the use of the addressees only and may not be redistributed, reproduced or passed on to any other person or published, in part or in whole, for any purpose, without the prior, written consent of HLBB. The manner of distributing this report may be restricted by law or regulation in certain countries. Persons into whose possession this report may come are required to inform themselves about and to observe such restrictions. By accepting this report, a recipient hereof agrees to be bound by the foregoing limitations.