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Global Markets Research

Daily Market Highlights

3 July: Sharp downward surprise to US nonfarm job data

**Short dated treasury yields and DXY fell with traders paring Fed rate hike bets
Maintain our extended Fed rate pause view; labour markets to stay resilient; CPI to ease
Australia's trade balance turned into a deficit; slight pick-up in Singapore's PMI**

- A sharp disappointment in the US job data dampened Fed rate hike bets and in the equity space, gains in the 3 major US stock indices fizzled out in afternoon trading after earlier rally. As at Thursday's closing, the Dow closed 1.1% d/d up, Nasdaq dropped 0.8% d/d with tech stocks underperforming, while the S&P 500 closed flattish. 8 of the 11 sectors within the broad index climbed, but notably, defensive stocks like healthcare and consumer staples led the outperformers.
- In other asset classes, short-dated treasury yields dropped as traders dialled back expectations of a Fed rate hike in coming months and the Dollar weakened against all its G10 peers. The 2Y UST yield closed the day 4bps lower at 4.14%, while the 10Y closed just above its flatline at 4.48%.
- The DXY was down 0.5% d/d to 100.86, while JPY (0.9% d/d to 161.11) rebounded from its four decade-low and outperformed all its G10 peers. EUR, GBP and AUD appreciated at a narrower pace of 0.4-0.5% d/d to close the day at 1.1432, 1.3346 and 0.6922. Similarly, most Asian FX closed stronger against the greenback and the CNH, MYR and SGD ended the day at 6.7888 (0.1% d/d). 4.0805 (0.3% d/d) and 1.2927 (0.2% d/d).
- Oil prices (WTI: 0.2% d/d to \$69.69/barrel, Brent: 0.3% d/d to \$71.80/barrel) closed little changed amid signs that the US and Iran are making progress during talks and as more supply flows through the Strait of Hormuz.

US NFP disappointment in line with our extended rate pause view for the Fed funds rate

- June non-farm payroll (NFP) was softer than expected at 57k (prior: 129k) and with a 74k downward revisions to the past two months. Private sector was particularly subdued, rising only 49k (prior: +97k) and again, concentrated on education & healthcare services. The unemployment rate dipped to 4.2% from 4.3%, but this was primarily caused by a big drop in the participation rate to 61.5% (prior: 61.8%). Wage growth was in line with consensus forecast at 0.3% m/m and 3.5% y/y

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	52,900.07	1.14
S&P 500	7,483.24	0.00
NASDAQ	25,832.67	-0.80
Stoxx Eur 600	648.35	1.41
FTSE 100	10,652.87	1.67
Nikkei 225	68,733.15	-2.47
CSI 300	4,812.30	-2.96
Hang Seng	23,055.03	0.76
Straits Times	5,217.15	1.08
KLCI 30	1,661.83	0.30
FX		
Dollar Index	100.86	-0.53
EUR/USD	1.1432	0.48
GBP/USD	1.3346	0.53
USD/JPY	161.11	-0.90
AUD/USD	0.6922	0.42
USD/CNH	6.7888	-0.09
USD/MYR	4.0805	-0.32
USD/SGD	1.2927	-0.22
USD/KHR	4,028.25	0.06
USD/THB	33.30	-0.26
Commodities		
WTI (\$/bbl)	68.69	0.16
Brent (\$/bbl)	71.80	0.32
Gold (\$/oz)	4,125.70	1.06
Copper (\$/MT)	13,326.00	0.21
Aluminum(\$/MT)	3,091.50	0.50
CPO (RM/MT)	4,445.00	-0.89

Source: Bloomberg, HLBB Global Markets Research

(prior: 0.3% m/m and 3.4% y/y), while average weekly hours held steady at 34.3.

- Initial jobless claims, meanwhile, added to signs of a low level of layoffs, with the initial jobless claims falling 1k to 215k for the week ended June 27 (prior: -11k) although continuing claims did increase 2k to 1814k in the week ended June 20 (prior: +12k). Notwithstanding seasonal disruption, layoffs have largely been AI-driven in recent months with limited spill over to the broader labour market.
- Amid disappointing outcome from the NFP and likely softer CPI reports ahead, there is thus no change in our call for a prolonged pause for the Fed funds rate at the current level for the rest of the year.
- Outside of the labour market, factory orders fell at a narrower than expected pace by 1.3% m/m in May following an upwardly revised 5.3% m/m jump the previous month. The drop was largely due to a decline in bookings for commercial aircraft. Demand elsewhere remained strong, particularly driven by investment in artificial intelligence and for the month, mining and oil field products.

Australia's trade balance unexpectedly slipped into deficit as export growth plunged

- Trade balance unexpectedly turned deficit at A\$3.0bn in May (Prior: +A\$1.4bn) as exports plunged 6.9% m/m (prior: 7.2% m/m) on metal ores and minerals, while import growth accelerated to 2.6% m/m from 0.2% m/m previously largely on transportation goods, not boding well for GDP calculation in 2Q.

Solid retail sales for Hong Kong

- At 7.9% y/y, Hong Kong's retail sales growth remained solid, above forecast and eased from 8.7% y/y previously. Sales of most broad retail categories registered growth but notably led by robust demand for jewellery, watches and clocks. Amid sustained growth in local labour earnings and tourism, we expect consumption to continue with its growth trajectory although higher prices may have a dampening effect on sales volume.

Singapore PMI showed factory activities rose at a faster pace

- The headline and electronics PMIs rose 0.3ppts each to 51.3 and 52.2 in June as the AI-driven semiconductor super-cycle continues to support faster manufacturing activities. More importantly, details also showed an inventory drawdown, a sign that electronics production is still not keeping pace with demand and robust growth in the manufacturing sector will likely be sustained in the near term.

House View and Forecasts

FX	This Week	3Q-26	4Q-26	1Q-27	2Q-27
DXY	100-103	102.28	100.86	99.42	98.07
EUR/USD	1.12-1.15	1.13	1.14	1.16	1.18
GBP/USD	1.30-1.34	1.29	1.30	1.32	1.33
USD/CHF	0.78-0.82	0.81	0.81	0.80	0.79
USD/JPY	158-163	162	159	155	153
AUD/USD	0.67-0.71	0.68	0.70	0.71	0.72
NZD/USD	0.54-0.59	0.56	0.56	0.57	0.57
USD/CNY	6.77-6.82	6.85	6.78	6.72	6.65
USD/MYR	4.09-4.15	4.15	4.11	4.07	4.03
USD/SGD	1.28-1.31	1.31	1.30	1.28	1.27
USD/THB	32.22-33.65	32.50	32.30	32.0	32.0

FX	Last close	3Q-26	4Q-26	1Q-27	2Q-27
EUR/MYR	4.6558	4.68	4.71	4.73	4.75
GBP/MYR	5.4438	5.37	5.36	5.36	5.36
AUD/MYR	2.8172	2.83	2.86	2.87	2.89
CNY/MYR	0.6009	0.61	0.61	0.61	0.61
SGD/MYR	3.1537	3.18	3.17	3.17	3.17

Rates, %	Current	3Q26	4Q26	1Q27	2Q27
Fed	3.50-3.75	3.50-3.75	3.50-3.75	3.50-3.75	3.50-3.75
ECB	2.25	2.50	2.50	2.50	2.50
BOE	3.75	3.75	3.75	3.75	3.75
SNB	0.00	0.00	0.00	0.00	0.00
BOJ	1.00	1.00	1.25	1.25	1.25
RBA	4.35	4.35	4.35	4.35	4.35
RBNZ	2.25	2.50	2.50	2.50	2.50
BNM	2.75	2.75	2.75	2.75	2.75

Source: HLBB Global Markets Research

Up Next

Date	Events	
3-Jul	SI S&P Global Singapore PMI (Jun)	56.7
	JN S&P Global Japan PMI Services (Jun F)	51.8
	CH RatingDog China PMI Services (Jun)	54.4
	VN CPI YoY (Jun)	5.60%
	VN GDP YoY (2Q)	7.83%
	VN Exports YoY (Jun)	18.00%
	VN Industrial Production YoY (Jun)	8.80%
	VN Retail Sales YoY (Jun)	11.80%
	EC S&P Global Eurozone Services PMI (Jun F)	48.9
6-Jul	UK S&P Global UK Services PMI (Jun F)	48.7
	HK S&P Global Hong Kong PMI (Jun)	50.4
	SI Retail Sales YoY (May)	5.40%
	EC Sentix Investor Confidence (Jul)	-13.4
	EC PPI YoY (May)	4.90%
	EC Retail Sales MoM (May)	-0.40%
	US S&P Global US Services PMI (Jun F)	51.3
	US ISM Services Index (Jun)	54.5

Source: Bloomberg

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