

1 October 2024

Global Markets Research

Daily Market Highlights

1 Oct: Powell signalled no urgency to cut quickly

Powell: labour conditions are solid; market pared bets for a 50bps cut in Nov

Global equities and bonds traded mixed; USD rebounded; JPY plunged

China PMIs showed smaller businesses are struggling more

- US equities made a last minute rally to close the day higher, with the three major benchmark stock indices closing up 0.04-0.4% on the day. Market initially gapped down after Fed Chair Powell's speech but was quick to recover as markets saw reduced odds of a 50bps cut in November. Powell reaffirmed his earlier stance of no urgency to cut rates quickly, labour conditions are solid and the decisions will be meeting-by-meeting guided by data. Futures pricing for a November and December rate cut was reduced to 34bps and 70bps respectively (prior 39bps and 77bps).
- Meanwhile, European equities largely fell ahead of Powell's speech and Asian stocks saw mixed performances. China's stock indices rallied in excess of 8.0% on the day before a week-long closure for Golden Week holiday on continued stimulus optimism. Futures are pointing to a mixed opening in Asia market this morning.
- Global bonds also traded on a mixed note with subdued moves. UST came under pressure again and saw yields higher between 2-8bps across the curve in a bear flattening bias, as Powell slightly hawkish speech pushed back expectations for a 50bps cut in November. 2-year note yield added 8bps to 3.64% while 10-year bond yields rose 3bps to 3.78%. 10-year European bonds yields ended mixed between -2 to +3bps, with the UK gilt last closed at 4.00% (+3bps) and German bund at 2.12% (-1bps).
- In the FX space, the Dollar Index regained grounds and advanced 0.3% d/d to 100.76. The USD strengthened against 7 G10s, the most vs the JPY (+1.0%), followed by SEK and CHF but posted small losses against the AUD, NZD and GBP. The greenback was also largely stronger vs Asian FX. CNH weakened 0.4% on the day to 7.0074 while the SGD fell 0.3% to 1.2850. MYR on the other hand continued to strengthen, but only closed the day stronger by 0.05% at 4.1235 vs the USD, as it pared early session gains (USDMYR hit an intraday low of 4.0947).
- On the commodity front, oil prices continued its recent whipsaw pattern, falling again on the day on news of resumption of Libya production despite lingering geopolitical risk in the Middle-east. WTI slipped 0.5% d/d to \$68.29/ barrel while Brent fell 1.0% d/d to \$71.76/ barrel.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	42,330.15	0.04
S&P 500	5,762.48	0.42
NASDAQ	18,189.17	0.38
Stoxx Eur 600	522.89	-0.98
FTSE 100	8,236.95	-1.01
Nikkei 225	37,919.55	-4.80
CSI 300	4,017.85	8.48
Hang Seng	21,133.68	2.43
Straits Times	3,585.29	0.33
KLCI 30	1,648.91	-0.67
FX		
Dollar Index	100.76	0.34
EUR/USD	1.1135	-0.24
GBP/USD	1.3375	0.01
USD/JPY	143.63	1.00
AUD/USD	0.6913	0.14
USD/CNH	7.0074	0.37
USD/MYR	4.1235	-0.05
USD/SGD	1.2850	0.31
Commodities		
WTI (\$/bbl)	68.29	-0.51
Brent (\$/bbl)	71.76	-0.95
Gold (\$/oz)	2,633.70	-0.61
Copper (\$\$/MT)	9,865.00	-1.09
Aluminum(\$/MT)	2,605.00	-1.06
CPO (RM/tonne)	4,201.50	0.47

Source: Bloomberg, HLBB Global Markets Research
* Dated as of 27 Sep for CPO

US regional activities index ticked higher but underlying weak details point to a softer ISM reading

- Dallas Fed manufacturing index unexpectedly improved and posted its smallest contraction in 20 months in September (-9.0 vs -9.7), on the back of a less downbeat company outlook and rebound in employment.

However, underlying details were weak, with worsening readings in most indices, notably production, shipments and new orders.

- Chicago PMI also unexpectedly inched higher to 46.6 in September (Aug: 46.1), marking its 2nd straight month of uptick as employment fell at a slower pace and prices paid rose at a faster pace. Mirroring the Dallas Fed index, new orders and production were weak and fell at a faster pace.

Continued recovery in the UK economy; no urgency for BOE to cut

- Final 2Q GDP growth was revised a tad lower to +0.5% q/q (prelim +0.6% q/q), suggesting the UK economy softened more than initially estimated in the 2Q, after a 0.7% q/q growth in 1Q as it emerged from a technical recession in late 2023. Household spending, investment, and net exports all softened, overshadowing quicker increases in government spending and business investment in 2Q. On an annual basis, GDP picked up to increase 0.7% y/y in 2Q (1Q: +0.3% y/y), offering comfort that the UK economy remains on track to recover, allowing the BOE to cut rates at a measured pace.
- Net consumer credit increased albeit less than expected by £1.3bn in August (Jul: £1.2bn), its biggest increase in three months driven by non-credit card lending, a sign of still firm consumer spending. Despite the month-on-month increase, growth has been on a moderating trend since June (+7.9% y/y) to +7.6% y/y in August.
- Mortgage approvals rose slightly more than expected by 64.9k in August (Jul: 62.5k), its 3rd straight month of pick-up. This came close to the 10-year average of 65k and marked its highest level in 23 months, helped by lower interest rates and real wage growth. In a separate release earlier, Nationwide house prices rebounded more than expected to an increase of 0.7% m/m in September (Aug: -0.2% m/m), its best gain since February. In y/y terms, house prices also picked up from +2.4% to +3.2% y/y, its fastest gain in two years, also signalling income growth and lower borrowing costs are boosting affordability, hence lending support to the UK housing market.

Mixed Japanese data reaffirmed no urgency for a BOJ rate hike

- The slew of economic releases from Japan skewed mainly to the weaker side, except for retail sales. Retail sales picked up to expand more than estimated, by +0.8% m/m and +2.8% y/y in August (Jul: +0.2% m/m and +2.7% y/y), marking its 5th straight month of m/m growth. All sectors registered positive growth during the month, except for motor vehicles, household equipment and other items. Department store and supermarket sales turned around with a 2.6% m/m increase (Jul: -2.2% m/m), lifted by supermarket (+2.6% m/m) while department store sales continued to contract albeit at a smaller rate (-0.6% m/m). The bigger than expected improvement in jobless rate to 2.5% in August (Jul: 2.7%) shall support consumer spending going forward.
- Tankan survey largely surprised on the upside, showing stable to improvement in both manufacturing and non-manufacturing conditions and outlook, regardless of smaller or bigger firms. This shall continue to underpin recovery in the Japanese economy going forward.
- On the contrary, industrial production fell more than expected by 3.3% m/m and 4.9% y/y in August (Jul: +3.1% m/m and +2.9% y/y), amid broad-based contraction across all key sectors from capital goods to durable and non-durable consumer goods. Although the weaker than expected output was likely distorted by earthquake alert and typhoon, this will nonetheless set back growth in the 3Q although production is expected to normalize going into September and October.

- Housing starts also turned in weaker than expected, falling 5.1% y/y in August (Jul: -0.2% y/y), marking its 4th consecutive month of declines, hit by declines in both owner occupied and housing for rent.

Generally softer China PMIs except for the uptick in official PMI manufacturing

- Official and Caixin PMI readings offered more signs the China economy is slowing, and at varying speed across sectors and firms. Mounting growth risk explained the decision for massive stimulus plans just last week to revive the ailing economy and real estate woes.
- Composite PMIs edged up 0.3ppt to 50.4 in September (Aug: 50.1), spurred mainly by a bigger than expected pick-up in the manufacturing index (49.8 vs 49.1), due to a jump in the output index probably due to front-loading of production ahead of more trade restrictions by the US. This more than outweighed the unexpected pullback in services (50.0 vs 50.3).
- Caixin PMIs reported weaker showing across, a sign small businesses were struggling more compared to the bigger firms. The composite print pulled back rather sharply from 51.2 in August to 50.3 in September, amid broad weakness seen in manufacturing (49.3 vs 50.4) and services (50.3 vs 51.6).

House View and Forecasts

FX	This Week	3Q-24	4Q-24	1Q-25	2Q-25
DXY	99-102	102.41	100.87	99.86	98.86
EUR/USD	1.10-1.13	1.11	1.12	1.10	1.08
GBP/USD	1.32-1.35	1.29	1.30	1.30	1.29
USD/JPY	142-147	145	143	140	137
AUD/USD	0.67-0.70	0.66	0.66	0.67	0.68
USD/MYR	4.10-4.20	4.50	4.40	4.35	4.30
USD/SGD	1.27-1.30	1.33	1.32	1.30	1.28

Rates, %	Current	3Q-24	4Q-24	1Q-25	2Q-25
Fed	4.75-5.00	4.75-5.00	4.25-4.50	4.00-4.25	3.75-4.00
ECB	3.50	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
30-Sep	JN Jibun Bank Japan PMI Mfg (Sep F)	49.6
	MA S&P Global Malaysia PMI Mfg (Sep)	49.7
	VN S&P Global Vietnam PMI Mfg (Sep)	52.4
	AU Building Approvals MoM (Aug)	10.40%
	AU Retail Sales MoM (Aug)	0.00%
	EC HCOB Eurozone Manufacturing PMI (Sep F)	44.8
	UK S&P Global UK Manufacturing PMI (Sep F)	51.5
	EC CPI Estimate YoY (Sep)	2.20%
	US S&P Global US Manufacturing PMI (Sep F)	47.0
	US Construction Spending MoM (Aug)	-0.30%
	US JOLTS Job Openings (Aug)	7673k
	US ISM Manufacturing (Sep)	47.2
	US Dallas Fed Services Activity (Sep)	-7.7
	1-Oct	AU Judo Bank Australia PMI Mfg (Sep F)
1-Oct	JN Jobless Rate (Aug)	2.70%
	JN Tankan 3Q Survey	--
	MA S&P Global Malaysia PMI Mfg (Sep)	49.7
	VN S&P Global Vietnam PMI Mfg (Sep)	52.4
	AU Building Approvals MoM (Aug)	10.40%
	AU Retail Sales MoM (Aug)	0.00%
	EC HCOB Eurozone Manufacturing PMI (Sep F)	44.8

Hong Leong Bank Berhad

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

HLMarkets@hlbb.hongleong.com.my

UK S&P Global UK Manufacturing PMI (Sep F)	51.5
EC CPI Estimate YoY (Sep)	2.20%
US S&P Global US Manufacturing PMI (Sep F)	47.0
US Construction Spending MoM (Aug)	-0.30%
US JOLTS Job Openings (Aug)	7673k
US ISM Manufacturing (Sep)	47.2
US Dallas Fed Services Activity (Sep)	-7.7

Source: Bloomberg

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.