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)	46.7
	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

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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