1 November 2024

Global Markets Research

Daily Market Highlights

1 Nov: All eyes on US NFP today

US GDP growth moderated to 2.8% in 3Q; core-PCE prices held steady but above forecasts

GBP weakened; UK gilts jumped amid higher spending, taxes & borrowings from the budget

JPY strengthened after the BOJ maintained a hawkish hold in the monetary policy meeting

- Nasdaq led the retreat in US equities overnight as Microsoft and Meta shares fell. This came after their earnings guidance disappointed investors, adding to growing scepticism over AI stocks. Nasdaq plunged 2.8% d/d, while S&P 500 and the Dow lost 1.9% d/d and 0.9% d/d respectively. Microsoft shares slid 6.1% after the tech giant's revenue guidance disappointed investors and overshadowed quarterly earnings beat, while Meta Platforms dropped 4.1% d/d after the Facebook parent warned that capital expenditures will rise next year. Apple and Amazon reported earnings results after the bell, and both were positive.
- In Europe, Stoxx Eur 600 closed 1.2% d/d lower all with all sectors and major bourses in the red after a spate of disappointing earnings, including from BNP Paribas. Shares in Societe Generale were amongst the outliers, rallying after the lender beat revenue forecasts. FTSE 100 slumped 0.6% d/d with homebuilders being one of the largest casualties from the soaring gilt yields, in the aftermath of the Autumn Budget. Asia markets mostly closed in the red and appears likely to extend its drop today, tracking risk-off appetite in the global markets. CSI 300 was, nonetheless the outlier overnight, closing just above the flatline after its PMI unexpectedly expanded.
- Treasuries closed little changed ahead of today's non-farm payroll number, falling between 0-3bps across the curve. The 2Y yield inched down 1bps to 4.17%, while the 10Y benchmark fell 2bps to 4.28%, both off their intraday highs. 10Y European government bond yields closed mixed bewteen -1 to +10bps. Led by the front end, yields to the UK gilts jumped between 4-13 across the curve with traders increasingly wary of the huge package of tax rises and borrowings announced in the Autumn Budget.
- In the forex space, DXY closed 0.2% d/d lower at 103.90 and the Dollar weakened against most of its G10 peers save for the CAD, NOK and GBP. JPY which strengthened 0.9% d/d to 152.03 against the USD, led gains amongst G10 after the BOJ's hawkish hold. This comes after the BOJ stuck to its view that Japan is on track to achieve its inflation target, further reinforced by the Governor's comment that the current political situation wouldn't stop him from lifting rates if prices and the economy are in line with forecasts.
- EUR and AUD climbed in tune to 0.2% d/d each, while GBP tumbled for the second day, by 0.5%, amid the sell-off in UK bonds, triggered by the Labour Government's plan to increase spending and borrowing. Regional currencies closed mixed against the Dollar, with CNH and SGD appreciating in tune to 0.1-0.2% d/d, while MYR closed flattish at 4.3780 on Wednesday.
- Oil prices surged 0.2-2.1% d/d amid reports that Iran is planning retaliatory attacks on Israel, putting traders on alert for potential supply disruptions. Further lending support to prices were optimism over US fuel demand

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	41,763.46	-0.90
S&P 500	5,705.45	-1.86
NASDAQ	18,095.15	-2.76
Stoxx Eur 600	505.39	-1.20
FTSE 100	8,110.10	-0.61
Nikkei 225	39,081.25	-0.50
CSI 300	3,891.04	0.04
Hang Seng	20,317.33	-0.31
Straits Times	3,558.88	0.00
KLCI 30	1,601.88	-0.82
FX		
Dollar Index	103.90	-0.19
EUR/USD	1.0884	0.26
GBP/USD	1.2899	-0.49
USD/JPY	152.03	-0.91
AUD/USD	0.6582	0.15
USD/CNH	7.1216	-0.05
USD/MYR	4.3780	-0.01
USD/SGD	1.3198	-0.19
Commodities		
WTI ($/bbl)	70.53	2.11
Brent ($/bbl)	73.17	0.19
Gold ($/oz)	2,754.10	-1.61
Copper ($$/MT)	9,547.00	-0.13
Aluminum($/MT)	2,626.00	0.42
CPO (RM/tonne)	4,700.00	0.15

Source: Bloomberg, HLBB Global Markets Research
** Dated as of 29 Oct for CPO, 30 Oct for USD/MYR, KLCI, Straits Times*

following the unexpected drop in crude and gasoline inventories last week, as well as chatter that OPEC+ may delay a planned output increase.

BOJ maintained policy rate at 0.25%

- In a unanimous vote, the Bank of Japan (BOJ) maintained its uncollateralized call at 0.25% as per our and consensus forecast. The BOJ also left its GDP growth forecasts more or less unchanged, but the CPI projections were revised lower due to the recent decline in crude oil and other resource prices. ***The economy is expected to grow by 0.6% in fiscal year 2024, 1.1% (+0.1ppts) in 2025 and 1.0% in 2026, while CPI (all items less fresh food) is expected to ease from 2.5% in 2024 to 1.9% (-0.2ppts) in 2025 and 1.9% in 2026***. Accordingly, the decision to maintain status quo was partially due to high uncertainties, both upside and downside to the economy and prices, emanating from development in overseas demand, commodity prices and domestic firms' wage- and price-setting behaviour.
- The central bank also opined that the economy has recovered moderately, with exports and industrial output flattish, corporate profits improving, private consumption increasing moderately and that financial condition remained accommodative. In fact, data overnight showed that industrial output rebounded more than expected by 1.4% m/m in September (prior: -3.3% m/m), but retail sales fell more than expected by 2.3% m/m (prior: +1.0% m/m). The latter, however, is still up on an annual basis, albeit slower (+0.5% y/y vs +3.1% y/y).

US' economy remained robust at 2.8% in 3Q on firm consumer sector; Core-PCE prices held steady at 2.7% y/y; resilient labour market indicators

- Albeit softer than expected and a deceleration from 2Q, the US economy grew a robust 2.8% q/q in 3Q (2Q: +3.0%), suggesting that the economy is on track to beat Fed's GDP forecast of 2.0% this year. The deceleration in 3Q primarily reflected a downturn in private inventory investment and a larger decrease in residential fixed investment, which offset accelerations in exports, consumer spending (+3.7% vs +2.8% q/q) and federal government spending. Imports also picked up, suggesting firm domestic demand.
- Matching expectations, headline PCE prices picked up slightly to +0.2% m/m in September (prior +0.1%), but moderated to +2.1% y/y (prior: 2.3% y/y). Though the headline number showed that the Fed is nearing its goal, core PCE unexpectedly held steady at 2.7% y/y, defying expectations that it will ease to 2.6% y/y. The move in inflation was tilted towards services prices, which increased 3.7% y/y (prior: 3.8% y/y), while goods prices decreased for the fifth month by 1.2% y/y (prior: -0.9% y/y).
- Labour market indicators were positive. Defying expectations for lower job gains, the ADP report showed that private employers added 233k jobs in October (prior: +159k). This is the highest since July 2023 even as the economy worked through hurricane recovery, signalling a resilient labour market. Job gains were also broad-based with manufacturing the only sector to shed jobs.
- Meanwhile, jobless claims unexpectedly fell 12k to 216k for the week ended October 26 (prior: -14k), a 5-month low as the storm impact fades, while according to Challenger Gray, job cuts slowed to 50.9% y/y in October (prior: +53.4% y/y) and plunged 23.7% m/m. Aerospace/defence led job cuts during the month due to Boeing, followed by retailers and consumer products manufacturers.
- In the housing market, the contraction in mortgage applications narrowed to -0.1% w/w for the week ended October 25 (prior: -6.7% w/w), while pending

home sales leaped more than expected to +7.4% m/m in September (prior: +0.6% m/m), its highest since March. The jump in contract signings was driven by buyers taking advantage of the lower mortgage rates in late summer and more inventory choices, and should continue to grow if the labour market remains resilient, inventory levels grow and mortgage rates hold steady or eases.

Eurozone's GDP unexpectedly accelerated to +0.4% q/q in 3Q; headline CPI accelerated more than expected to 2.0% y/y; unemployment rate unchanged at 6.3%

- According to its preliminary estimate, the Eurozone's GDP growth accelerated to +0.4% q/q in 3Q, beating consensus forecast of a steady 0.2% q/q growth. Largely supporting the uptick for the bloc was the German economy dodging a recession (+0.2% q/q vs -0.3% q/q), an acceleration in France's (+0.4% q/q vs +0.2% q/q) while Spain stayed strong and unchanged at +0.8% q/q. As it is, the stronger than expected growth supports bets for more gradual rate cuts rather than jumbo ones, with both consensus and in-house projecting only a 25bps rate cut in the December ECB meeting.
- Meanwhile, an uptick in inflation and a still tight labour market also supports our view for gradual rate cuts. Unemployment rate remained steady at its historic low at 6.3% in September, adding to wage pressure, while headline inflation ticked up more than expected to 2.0% y/y in October, with the biggest upward pull in coming from food, alcohol and tobacco (2.9% y/y vs 2.4% y/y). Core inflation, which excludes those volatile components along with energy prices, was unchanged at 2.7%, also above forecasts, while services inflation, an important gauge of domestic price pressures, held steady and elevated at 3.9% y/y.

UK delivered large increases in spending, tax and borrowings in the Autumn Budget

- Key highlights from the latest Autumn Budget include: 1) ***The economy is expected to grow by 1.1% in 2024, before accelerating to 2.0% and 1.8% in 2025 and 2026*** respectively. 2) ***CPI is expected to average 2.5% in 2024 and 2.6% in 2025***. 3) From its current level of 5.00%, the Bank Rate is expected to fall to 3.5% in the final year of their forecast. Over 2025 and 2026, this is around 0.5ppts higher than the Spring Budget projection. 4) The unemployment rate is forecast to average 4.3% in 2024, falling to 4.0% in 2026 before returning to its estimated structural rate of 4.1% in 2028. 5) In short, the budget delivered large, sustained increases in spending, tax, and borrowings. It increased spending by 2.1ppts to 44.6% of GDP (Spring Budget: 42.5%), with just over half of this funded by increase in taxes (38.2% of GDP vs 37.1%) on employment and assets, and from compliance measures. The balance will be funded via increased borrowing (£79.1bn vs £39.4), which slows the pace of fiscal consolidation relative to the Conservative's plans.

RBA likely to maintain status quo next week amid mixed inflation prints, slower but still firm retail sales

- Data released over the past two days showed that consumer spending remained firm in Australia, while inflation prints remained mixed, thus unlikely to spur the central bank to act next week. Headline CPI eased more than expected to 2.1% in September (prior 2.7% y/y), with prices largely kept in check by lower fuel prices and cost of living subsidies, but trimmed mean, which smooths out volatile items, remained elevated above RBA target range at 3.2% y/y (prior: 3.4% y/y). Retail sales, meanwhile, slowed more than expected to +0.1% m/m in September, but this was partially due to the high base effects the prior month. Just a recap, sales jumped +0.7% m/m in August due to warmer-than-usual weather and temporary boost from spending on alcohol.

- The final S&P Manufacturing PMI was revised up 0.7ppts to 47.3 in October (prior: 46.7). Nonetheless, the index at this level suggests continued deterioration in the factory sector, but with the future activity index, which serves as a measure of business confidence, remains above neutral level, this suggests cautious optimism over the next 12 months.

China's factory sector unexpectedly expanded at 50.1; non-manufacturing sector improved slightly to 50.2

- China's manufacturing activity unexpectedly turned expansionary at 50.1 in October (prior: 49.8) while the non-manufacturing sector undershot expectations slightly at 50.2 (prior: 50.0). Officials attributed the uptick to recent stimulus measures starting to make an impact on growth gradually, and is likely to be sustained if the recovery in domestic demand is adequate to offset potentially weaker external demand going forward, especially if a Trump win could mean more trade tensions. Further supporting our view is the expansionary production and new orders sub-indicators, which more than offset the decline in new export orders.

Hong Kong's economy grew at a softer pace of 1.8% y/y in 3Q as household spending continued to fall

- The economy grew at a more moderate than expected pace at 1.8% y/y in 3Q (prior: 3.2% y/y) and contracted on a q/q basis by -1.1% (prior: +0.3% q/q). The deceleration was weighed down by slower growth across the board save for exports of services. Household spending also continued to decline for the second quarter at -1.4% y/y (prior: -1.6% y/y).
- With YTD growth at 2.6% y/y, this reaffirms our expectation that GDP for 2024 will likely be at the lower range of the Government's forecast of 2.5-3.5% this year. Moving into 4Q, consumer spending could benefit from seasonal factor, and possibly, higher tourist and domestic spending in view of the softer HKD, while exports could benefit from improved outlook for China after its recent round of stimulus and front-loading of shipments to the US ahead of the tariff hikes starting, which should help to offset weakness from softer global economic growth.

House View and Forecasts

FX	This Week	4Q-24	1Q-25	2Q-25	3Q-25
DXY	102-106	101.56	100.54	99.53	99.04
EUR/USD	1.07-1.10	1.11	1.12	1.13	1.14
GBP/USD	1.28-1.31	1.33	1.35	1.36	1.37
USD/JPY	147-154	146	142	138	135
AUD/USD	0.65-0.68	0.68	0.69	0.70	0.71
USD/MYR	4.30-4.37	4.25	4.20	4.15	4.10
USD/SGD	1.30-1.33	1.31	1.29	1.27	1.25

Rates, %	Current	4Q-24	1Q-25	2Q-25	3Q-25
Fed	4.75-5.00	4.25-4.50	3.75.-4.00	3.50-3.75	3.25-3.50
ECB	3.25	3.00	2.75	2.50	2.25
BOE	5.00	4.75	4.50	4.25	4.00
BOJ	0.25	0.25	0.40	0.40	0.55
RBA	4.35	4.35	4.10	3.85	3.60
BNM	3.00	3.00	3.00	3.00	3.00

Source: HLBB Global Markets Research

Up Next

Date	Events	Prior
1-Nov	JN Jibun Bank Japan PMI Mfg (Oct F)	49.0
	MA S&P Global Malaysia PMI Mfg (Oct)	49.5
	VN S&P Global Vietnam PMI Mfg (Oct)	47.3
	AU Household Spending MoM (Sep)	0.00%
	AU PPI YoY (3Q)	4.80%
	AU Home Loans Value MoM (Sep)	1.00%
	CH Caixin China PMI Mfg (Oct)	49.3
	HK Retail Sales Value YoY (Sep)	-10.10%
	UK S&P Global UK Manufacturing PMI (Oct F)	50.3
	US Change in Nonfarm Payrolls (Oct)	254k
	US Unemployment Rate (Oct)	4.10%
	US Average Hourly Earnings MoM (Oct)	0.40%
	US S&P Global US Manufacturing PMI (Oct F)	47.8
	US Construction Spending MoM (Sep)	-0.10%
	US ISM Manufacturing (Oct)	47.2
4-Nov	AU Melbourne Institute Inflation YoY (Oct)	2.60%
	EC HCOB Eurozone Manufacturing PMI (Oct F)	45.9
	EC Sentix Investor Confidence (Nov)	-13.8
	US Factory Orders (Sep)	-0.20%

Source: Bloomberg

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