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Global Markets Research

Daily Market Highlights

2 Sep: No change to global monetary policy easing outlook

Mild PCE prices, solid personal spending for the US suggests a 25bps rate cut in Sept

Boosted investors' appetite for equities; DXY and Treasury yields closed higher

Eurozone's core inflation eased slightly to 2.8%; China's factory sector still contractionary

- Wall Street ended tumultuous August on a high note, with all the three major equity indices gaining 0.6% -1.1% d/d last Friday. Largely boosting investor sentiment during the day was expectations of a rate cut this month and a slew of broadly positive economic data which signals resilient consumer spending. In short, personal spending accelerated to +0.5% m/m in July, while headline and core PCE prices held steady at 2.5% y/y and 2.6% y/y respectively. Favourable corporate results also supported individual stocks. Dell Technologies rallied after posting higher revenue and profit amid strong demand for AI servers.
- In Europe, Stoxx 600 notched an intraday record high and closed up 0.1% d/d after the easing CPI print cemented rate cut expectations for the region. Rate-sensitive real estate sector led gains. Asian markets also closed in green, but are set for a cautious open today following the weak China's factory data released over the weekend.
- Trading in Treasuries was choppy. The 2Y yield initially ticked up after the strong personal spending print, retreated, only to climb again to close the day 2bps higher at 3.92%. The benchmark 10Y yield also closed the day up 4bps at 3.90%, while 10Y European bond yields rose 2-5bps except for the UK and Norwegian bonds.
- DXY jumped 0.4% d/d to 101.70 following the higher Treasury yield, and all G10 currencies weakened against the Dollar led by NOK and JPY (-0.8 to -1.1% d/d). Regional currencies closed mixed against the USD, but MYR and SGD depreciated 0.2% d/d each to 4.3205 and 1.3067 respectively.
- Oil prices plunged between 1.4-3.1% d/d amid reports that the OPEC+ will proceed with its output hike in 4Q. This is despite the still sluggish Chinese economy, raising concerns of oversupply in the market.

Steady PCE prices and resilient consumer spending for the US

- July's personal consumption expenditure (PCE) price index suggests that inflation is on track to hit the 2.0% target but robust personal spending numbers suggest that the Fed will most likely deliver a 25bps rate cut in the September FOMC meeting rather than a more aggressive 50bps. Matching expectations, headline PCE held steady at 2.5% y/y while core came below expectations and was unchanged at 2.6% y/y. Personal spending accelerated slightly to 0.5% m/m from 0.3% m/m previously, driven by spending on goods, notably autos, while spending on services held steady. Personal income surprised on the upside, gaining 0.3% m/m from 0.2% m/m previously and will likely support consumption going forward.
- Elsewhere, the MNI Chicago PMI unexpectedly improved 0.8ppts to 46.1 in August. Although still contractionary, this is comfortably above the YTD

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	41,563.08	0.55
S&P 500	5,648.40	1.01
NASDAQ	17,713.63	1.13
Stoxx Eur 600	525.05	0.09
FTSE 100	8,376.63	-0.04
Nikkei 225	38,647.75	0.74
CSI 300	3,321.43	1.33
Hang Seng	17,989.07	1.14
Straits Times	3,442.93	1.13
KLCI 30	1,678.80	1.53
FX		
Dollar Index	101.70	0.35
EUR/USD	1.1048	-0.26
GBP/USD	1.3127	-0.31
USD/JPY	146.17	0.81
AUD/USD	0.6765	-0.49
USD/CNH	7.0900	-0.06
USD/MYR	4.3205	0.22
USD/SGD	1.3067	0.28
Commodities		
WTI ($/bbl)	73.55	-3.11
Brent ($/bbl)	78.80	-1.43
Gold ($/oz)	2,504.50	-1.27
Copper ($$/MT)	9,235.00	-0.10
Aluminum($/MT)	2,447.00	-0.43
CPO (RM/tonne)	4,024.50	0.46

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

average of 42.9 and supported by new orders, production and supplier deliveries sub-indices. The final University of Michigan consumer sentiment index was revised up marginally to 67.9 in August (prior: 66.4). This marks a slight improvement after retreating the past 4 months, reflecting a rise in sentiment amongst Democrats, almost fully offsetting the decline in Republicans after the change in the presidential candidate for the former.

Eurozone's core inflation rate eased to 2.8%, unemployment rate dipped lower to 6.4%

- Matching expectations, headline eased to 2.2% y/y in August (prior: 2.6% y/y) mainly due to energy while core remained stubbornly elevated at 2.8% y/y (prior: 2.9% y/y). The downtick for core was mainly due to softer goods inflation while services picked up slightly to 4.2% from 4.0% previously, partially due to temporary factors due to the Olympics in France. As such, given the modest progress in core inflation and wage at this juncture, we expect the ECB to remain cautious in the September monetary policy meeting, pencilling only a 25bps rate cut during the meeting. Likely to keep wage growth supported at this juncture is the still tight labour market, as observed by the softer than expected unemployment rate of 6.4% in July (prior: 6.5%).

Stronger mortgage approvals suggest higher house prices in the UK

- The Nationwide House Price index registered its strongest growth since December 2022, albeit below expectations at 2.4% y/y in August (Jul: 2.1% y/y) and will likely climb further, supported by stronger real wage growth and signs of resilient demand. The latter is reflected by the stronger than expected uptick in mortgage approvals for the second month in July (62.0k vs 60.6k), even before the BOE started cutting its rate on August 1st.

Softer retail sales for Australia after mid-year sales

- Retail sales were slower than expected, unchanged m/m in July (prior: +0.5% m/m) after two consecutive months of growth boosted by mid-year sales. This is reflected in lower sales for clothing & footwear retailers as well as department stores. For the rest of the sectors, sales were mixed, with most recording a fall or flat result. Meanwhile, private sector credit slowed to 0.5% m/m in July from +0.6% m/m previously mainly on account of slower demand from businesses rather than from consumers and housing.
- The final S&P Manufacturing PMI was revised down 0.2ppts to 48.5 in August (July: 47.5), suggesting a still soft patch for the sector. However, details suggest some green shoots with a jump above the 50.0 mark for new export orders and a jump up in the future output index to the highest level in 18 months. Unfortunately, there were no signs of easing price pressures, reaffirming our expectations of a status quo for RBA in 2024.

China's manufacturing sector remained contractionary, slight pick-up in the services sector

- China's official manufacturing PMI unexpectedly worsened to 49.1 in August (prior: 49.4) while the pace in expansion in the services sector picked up slightly to 50.3 from 50.2 previously, boosted by consumption during the summer holiday season. The NBS attributed the downturn in manufacturing sector to severe weather conditions and seasonal factors, but we expect this sector to remain sluggish in the near term given the contractionary new exports orders and new orders sub-indices, as well as headwinds from trade protectionism and slow disbursement of government spending to support the economy.

Sluggish retail sales in Hong Kong

- Retail sales unexpectedly worsened to -13.3% y/y in July (prior: -9.7% y/y) as a strong HKD continued to hamper tourist spending and amid more outbound travels by residents during the summer holiday. Thus, to support the retail sector going forward, the government has promoted mega events to boost market sentiment and consumption, as well as assist small and medium-sized enterprises in adopting ready-to-use digital technology solutions to penetrate the Mainland market.

House View and Forecasts

FX	This Week	3Q-24	4Q-24	1Q-25	2Q-25
DXY	100-103	102.41	100.87	99.86	98.86
EUR/USD	1.09-1.12	1.11	1.12	1.10	1.08
GBP/USD	1.30-1.33	1.29	1.30	1.30	1.29
USD/JPY	142-148	145	143	140	137
AUD/USD	0.66-0.69	0.66	0.66	0.67	0.68
USD/MYR	4.29-4.36	4.50	4.40	4.35	4.30
USD/SGD	1.29-1.32	1.33	1.32	1.30	1.28

Rates, %	Current	3Q-24	4Q-24	1Q-25	2Q-25
Fed	5.25-5.50	5.00-5.25	4.50-4.75	4.25.-4.50	4.00-4.25
ECB	3.75	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
2-Sep	JN Jibun Bank Japan PMI Mfg (Aug F)	49.5
	MA S&P Global Malaysia PMI Mfg (Aug)	49.7
	AU Melbourne Institute Inflation YoY (Aug)	2.80%
	AU Building Approvals MoM (Jul)	-6.50%
	CH Caixin China PMI Mfg (Aug)	49.8
	EC HCOB Eurozone Manufacturing PMI (Aug F)	45.6
	UK S&P Global UK Manufacturing PMI (Aug F)	52.5
	SI Purchasing Managers Index (Aug)	50.7
3-Sep	US S&P Global US Manufacturing PMI (Aug F)	48
	US Construction Spending MoM (Jul)	-0.30%
	US ISM Manufacturing (Aug)	46.8

Source: Bloomberg

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