2 October 2024

Global Markets Research

Daily Market Highlights

2 Oct: USD extended gains on haven demand

Selloffs in global equities as Iran's attack on Israel dented risk appetite

Global bonds rallied and USD strengthened on flight to safety bids

Upbeat US JOLTS job prints dampened odds of a 50bps Fed rate cut

- US equities were sold off on Tuesday amid a noticeable retreat in risk appetite as the tension in the Middle East intensified following Iran's attack on Israel. The three major US stock indices went through a roller-coaster ride through the day before closing lower between 0.4-1.5%. The VIX volatility index jumped 15% on the day to its highest in three weeks.
- Geopolitical fear overshadowed the upbeat US JOLTS data that further dampened expectations for a 50bps Fed rate cut. The barrage of PMI manufacturing meanwhile confirmed continued sluggishness in manufacturing activities globally. Futures pricing for a November and December Fed rate cut was little changed at 35bps and 71bps respectively. Earlier, European and Asian stocks ended mixed, and futures are pointing to lower openings today amid heightened geopolitical jitters.
- Global bonds were bidded up on the back of flight to safety. UST advanced, pushing yields down between 4-5bps across the curve. 2-year note yield fell 3bps to 3.60% while 10-year bond yields declined 5bps to 3.73%. 10-year European bonds yields fell 2-10bps, with the UK gilt last closed at 3.94% (-6bps) and German bund at 2.03% (-9bps).
- In the FX space, the Dollar Index advanced for the 2nd straight day, pushing back up the 101 close for the first time in ten days. The DXY rose 0.4% d/d to 101.20 as at Tuesday's close amid haven demand in the greenback. The USD strengthened against all G10s save for the CAD and JPY. The EUR weakened 0.6% to a near 3-week low at 1.1068, while the GBP lost 0.7% d/d to 1.3286, its lowest in eight days. The AUD pulled back from its highest level since Feb-23, giving up 0.4% on the day to last close at 0.6883. JPY meanwhile ended with a marginal gain of 0.04% to 143.57, also benefited from haven demand though to a much lesser extent vs the USD.
- Asian currencies also came under pressure, with the THB leading the losers, followed by the MYR, which fell 0.8% d/d to 4.1570 vs the USD as at Tuesday's close, pulling back from an intraday high of 4.1778. The SGD weakened 0.2% to 1.2881 while the CNH fell 0.3% to 7.0302.
- On the commodity front, oil prices jumped on heightened tension in the Middle east following Iran's attack on Israel. WTI spiked 3.6%% d/d to $70.76/ barrel while Brent rose 3.8% d/d to $74.47/ barrel. Gold jumped 1.9% to $2684.80/ oz amid a flight to safe haven, but still off its record high of $2693.30/oz hit last Thursday.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	42,156.97	-0.41
S&P 500	5,708.75	-0.93
NASDAQ	17,910.36	-1.53
Stoxx Eur 600	520.88	-0.38
FTSE 100	8,276.65	0.48
Nikkei 225	38,651.97	1.93
CSI 300	4,017.85	8.48
Hang Seng	21,133.68	2.43
Straits Times	3,580.96	-0.12
KLCI 30	1,656.39	0.45
FX		
Dollar Index	101.20	0.44
EUR/USD	1.1068	-0.60
GBP/USD	1.3286	-0.67
USD/JPY	143.57	-0.04
AUD/USD	0.6883	-0.43
USD/CNH	7.0302	0.33
USD/MYR	4.1570	0.81
USD/SGD	1.2881	0.24
Commodities		
WTI ($/bbl)	70.76	3.62
Brent ($/bbl)	74.47	3.78
Gold ($/oz)	2,684.80	1.94
Copper ($$/MT)	9,945.00	0.81
Aluminum($/MT)	2,632.00	1.04
CPO (RM/tonne)	4,160.00	-0.99

Source: Bloomberg, HLBB Global Markets Research
** Dated as of 30 Sep for CPO*

US JOLTS job openings rose to a 3-month high; further dashing hopes for a 50bps cut

- JOLTS jobs opening rose more than expected to a 3-month high at 8040k in August (Jul: 7711k upwardly revised), pointing to a still solid labour market which continued to dash hopes for a 50bps Fed rate cut. Underlying details were a little mixed with hiring rate declined to 3.3%, its lowest since 2013 ex-pandemic levels, while the layoffs rate remained low suggesting while companies were hiring less, they did not increase the number being laid off.
- This somewhat contradicted with the deeper contraction in the employment component (43.9 vs 46.0) of ISM manufacturing index, which bucked expectations for a pick-up and ended flat at 47.2 in September. This marked its 6th straight month of contractions, dragged by new orders, production, employment, and inventories.
- In a separate release minutes earlier, the final PMI manufacturing reading showed a lesser than initially estimated pullback to 47.3 in September (Aug: 47.9), its lowest since Jun-23 and remaining in contractionary level for the 3rd straight month. Employment and new orders both declined.
- Dallas Fed services index registered a smaller contraction in September (-2.6 vs -7.7), thanks to a rebound in company outlook, and improvement in revenue, employment, selling prices and capex. The improvement was generally in line with upticks in other regional indices, pointing to some underlying positive momentum in economic activities. Although the general business activity recorded its negative print for the 28th straight month, the future reading showing 6-month ahead outlook jumped.

Weaker PMI manufacturing globally; the UK continued to outshine others

- The final reading of Eurozone PMI manufacturing came in higher than initially estimated at 45.0 in September, suggesting a smaller pullback from August (45.8). The sectors have been mired in contractions since Jun-22, as manufacturing activities continued to languish amid weak growth outlook in the euro region and lingering geopolitical tensions with Russia and its allies. New orders fell to its lowest since Dec-23.
- The final reading of UK PMI manufacturing eased to 51.5 in September as initially estimated (Aug: 52.5). The UK continued to stand out among other majors, as the index remained expansionary for the 5th straight month, contrary to contractions elsewhere. This should suggest the BOE will most likely be the less dovish among all its major peers.
- In Japan, the final PMI manufacturing print came in higher at 49.7 in September, easing less than initially estimated from the 49.8 reading in August, but still marked its 3rd straight month of contraction due to a decline in output even though new orders rose to its highest since June.
- Australia PMI manufacturing plunged to a record low at 46.7 in September as initially estimated (Aug: 48.5), marking its 8th consecutive month of contraction amid declines in output and new orders.
- In the region, PMI for Malaysia, Thailand, Taiwan, and Vietnam all weakened – Malaysia and Vietnam in contractionary levels while Taiwan and Taiwan remained above neutral level.

Eurozone CPI softened below 2.0%; cementing the case for further ECB cut

- Headline and core CPI tapered off to 1.8% and 2.7% y/y as expected in September (Aug: +2.2% and 2.8% y/y), while the month-on-month reading registered a surprised 0.1% decline (Aug: +0.1% m/m). The headline CPI dropped below the ECB's 2.0% target for the first time since Jun-21, and set the stage for further ECB easing. We are maintaining our house view for a 25bps cut in 4Q.

Australia retail sales picked up more than expected; building approvals disappointed

- Retail sales gained traction to increase at a faster than expected pace of 0.7% m/m in August (Jul: +0.1% m/m upwardly revised). This marked its best growth in seven months, driven by quicker growth across all segments from food to apparel and department stores, except for the consecutive declines in household goods. A resilient consumer sector will support the case for a later than sooner RBA rate cut. No change to our house view for the next rate move to take place in 1Q25.
- Building approvals however reversed course and fell more than expected by 6.1% m/m in August, normalizing from the 11.0% m/m increase seen in July and did little to alter the underlying softening trend in the housing market. Approvals fell across both public and private dwelling units.

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
2-Oct	JN Consumer Confidence Index (Sep)	36.7
	EC Unemployment Rate (Aug)	6.40%
	US MBA Mortgage Applications (27 Sep)	11.00%
	US ADP Employment Change (Sep)	99k
	SI Purchasing Managers Index (Sep)	50.9
	SI Electronics Sector Index (Sep)	51.3
3-Oct	AU Judo Bank Australia PMI Services (Sep F)	50.6
	JN Jibun Bank Japan PMI Services (Sep F)	53.9
	SI S&P Global Singapore PMI (Sep)	57.6
	AU Exports MoM (Aug)	0.70%
	EC HCOB Eurozone Services PMI (Sep F)	50.5
	HK Retail Sales Value YoY (Aug)	-11.80%
	UK S&P Global UK Services PMI (Sep F)	52.8
	EC PPI MoM (Aug)	0.80%
	US Challenger Job Cuts YoY (Sep)	1.00%
	US Initial Jobless Claims (28 Sep)	218k
	US S&P Global US Services PMI (Sep F)	55.4
	US Factory Orders (Aug)	5.00%
	US Durable Goods Orders (Aug F)	0.0%
	US ISM Services Index (Sep)	51.5

Source: Bloomberg

Hong Leong Bank Berhad
Fixed Income & Economic Research, Global Markets
Level 8, Hong Leong Tower
6, Jalan Damanlela
Bukit Damansara
50490 Kuala Lumpur
Tel: 603-2081 1221
Fax: 603-2081 8936
HLMarkets@hlbb.hongleong.com.my

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