

3 July 2024

Global Markets Research

Daily Market Highlights

3 July: Signals of status quo for next policy meetings for the majors

Powell: Progress in bringing inflation to target; wants more confidence before cutting rates

Lagarde: No convincing evidence that the threat of above-target inflation has passed

RBA rate hike remains on the cards; upside risks to inflation vs financial stress for households

- A jump in Tesla shares and prospects of rate cuts after Fed Chair Jerome Powell's comment that the US is back on a disinflationary path propelled Nasdaq and S&P 500 to new highs on Tuesday. The three major US equity indices gained after his speech, sending all the 3 indices up in tune to 0.4-0.8% d/d. Tesla shares notably jumped 10.2% d/d after the EV giant said that vehicle deliveries slid for a second consecutive quarter but by less than analysts had expected.
- Elsewhere, Stoxx Eur 600 resumed its downtrend and slid 0.4% d/d, with insurance and banking stocks the laggards while energy gained. CAC 40 and FTSE 100 continued to drift ahead of their elections (-0.3 to -0.6% d/d). Asian markets closed mixed but are set to open higher following the futures and US record-breaking rally overnight.
- Treasury yields, which have climbed in recent days, inched down 1-3bps across the curve, with the belly outperforming. The 2Y yield closed at 4.74% and the 10Y at 4.43%. 10Y European bond yields also fell 0-5bps, save for the Norwegian and Swedish bonds.
- DXY slipped 0.2% d/d to 105.72 after Powell's speech, and the Dollar weakened against all its G10 peers save for the CHF and NOK. EUR, which has struggled in recent weeks under the shadow of political risk from the French elections, rebounded and closed 0.1% d/d stronger at 1.0745. This comes after sliding as low as 1.0710 during the day after Eurozone's data pointed to slowed headline inflation. AUD/USD slid to as low as 0.6634 after the release of the RBA minutes before rebounding to close 0.1% d/d stronger at 0.6667. Regional currencies, on the other hand, weakened against the Dollar in tune to -0.5 to 0% d/d with the exception of SGD and JPY (0 to +0.1% d/d). MYR depreciated 0.2% d/d to 4.7212.
- The recent rally in crude oil prices stalled (-0.4 to -0.7% d/d), but prices are expected to be kept elevated amidst renewed fears of wider conflict in the Middle East and as Hurricane Beryl strengthened to Category 5, the latter raising concerns of a strong hurricane season which would wallop energy ports in the US Gulf Coast.

Australia's rate hike remains on the cards

- Highlights from the minutes to the latest RBA policy meeting include: 1) The central bank remains vigilant to upside risks and thus, is not ruling in or ruling out future changes in the cash rate target. 2) There was not enough evidence of a stronger aggregate demand to back a rate hike in the meeting, noting uncertainty over consumer spending and that many households were experiencing financial stress. 3) Amidst heightened economic uncertainty, members noted the importance of paying attention to developments in the

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	39,331.85	0.41
S&P 500	5,509.01	0.62
NASDAQ	18,028.76	0.84
Stoxx Eur 600	510.91	-0.42
FTSE 100	8,121.20	-0.56
Nikkei 225	40,074.69	1.12
CSI 300	3,471.79	-0.18
Hang Seng	17,769.14	0.29
Straits Times	3,367.90	0.88
KLCI 30	1,597.96	-0.02
FX		
Dollar Index	105.72	-0.17
EUR/USD	1.0745	0.05
GBP/USD	1.2685	0.28
USD/JPY	161.44	-0.01
AUD/USD	0.6667	0.11
USD/CNH	7.3070	0.02
USD/MYR	4.7212	0.16
USD/SGD	1.3560	-0.12
Commodities		
WTI (\$/bbl)	82.81	-0.68
Brent (\$/bbl)	86.24	-0.42
Gold (\$/oz)	2,333.40	-0.24
Copper (\$\$/MT)	9,672.50	0.44
Aluminum(\$/MT)	2,522.50	0.28
CPO (RM/tonne)	4,039.50	1.10

Source: Bloomberg, HLBB Global Markets Research
* Dated as of 1 July

economic data, and added that the August forecast would provide a window to review the extent of spare capacity in the labour market and the economy. 4) It was still possible to return inflation to target without moving away significantly from full employment, even though this 'narrow path' was becoming narrower.

- The final services PMI was revised up 0.2ppts to 512 in June (May: 52.5), but this marks the slowest pace of expansion for this cycle. Despite the dip in June, services activity is expected to stay expansionary moving forward as government cost of living support and tax cuts flow through to households and business activity.

US jobs opening unexpectedly rebounded from its 3Y low

- JOLTS job openings unexpectedly rebounded from its 3-year to 8.1m in May (Apr: 7.9m), while both hiring (5.8m and 5.6m) and layoffs (5.4m vs 5.3m) also picked up in a sign of a gradual slowdown in the labour market. The monthly increase in vacancies came largely from government posts, as well as from the durable goods manufacturing sector, but fell for accommodation & food services as well as private educational services. The quit rate was unchanged at 2.2% for the 7th month in a row, the lowest since 2020, suggesting that people are less confident to find new positions.
- Speaking at the ECB forum, Fed Chair Jerome Powell said that there's been a "substantial" move toward better balance in the labour market and also described the labour market as strong. He also added that the Fed has made quite a bit of progress in bringing inflation back to target but said he wants to see more before being confident enough to start cutting interest rates.

Eurozone's services and core inflation remains sticky

- Unemployment rate held low and steady at 6.4% in May, and headline prices eased as expected to 2.5% y/y in June (May: 2.6% y/y), due to food (2.5% y/y vs 2.6% y/y) and energy (0.2% y/y vs 0.3% y/y). Core and services prices, nonetheless, remained sticky at 2.9% y/y and +4.1% y/y respectively. Coupled with a still strong wage growth amidst a sturdy labour market, this will likely keep the ECB cautious and defer the timing of the next rate cut to September. Reaffirming our expectations was ECB President Christine Lagarde and Chief Economist Philip Lane's comments that there is no convincing evidence that the threat of above-target inflation has passed.

Double-digit retail sales contraction for Hong Kong

- Retail sales continued to decline notably and more than expected by 11.5% y/y in May (Apr: -14.7% y/y), weighed down by changing consumption patterns amongst visitors and residents, and also partially attributable to high base effects. As it is, Hong Kong residents, burdened by the higher costs at home, have increasingly crossed the border into Shenzhen for bargain shopping and leisure activities, while a strong HKD has also hindered tourist spending. To address these issues, the Government has recently announced measures to encourage tourism spending, further enhancing the Individual Visit Scheme and increasing the duty-free allowance for Mainland visitors.

Singapore's PMI dipped slightly despite the uptick in Electronics index

- PMI dipped a marginal 0.2ppts to 50.4 in June, its 10 straight months of expansion but the lowest since 2024 as the economy battles with lacklustre demand from selected segments within manufacturing like pharmaceuticals, as well as due to the worst port congestion in Singapore since the pandemic.

The electronics PMI, nonetheless, continued its climb 0.1ppts to 51.2, and is expected to remain on an uptrend supported by favourable business conditions like the uptick in new orders and new export orders, and in line with stronger regional performances and global semiconductor cycle.

House View and Forecasts

FX	This Week	2Q-24	3Q-24	4Q-24	1Q-25
DXY	104-107	105.43	105.56	103.45	101.38
EUR/USD	1.05-1.09	1.06	1.05	1.06	1.06
GBP/USD	1.25-1.28	1.24	1.22	1.23	1.24
USD/JPY	157-163	152	149	146	143
AUD/USD	0.65-0.68	0.65	0.65	0.65	0.66
USD/MYR	4.69-4.74	4.73	4.68	4.64	4.57
USD/SGD	1.34-1.37	1.35	1.35	1.34	1.33

Rates, %	Current	2Q-24	3Q-24	4Q-24	1Q-25
Fed	5.25-5.50	5.25-5.50	5.25-5.50	5.00-5.25	4.50-4.75
ECB	4.25	4.25	3.75	3.50	3.50
BOE	5.25	5.25	4.75	4.50	4.50
BOJ	0 - 0.10	0 - 0.10	0 - 0.10	0 - 0.10	0 - 0.10
RBA	4.35	4.35	4.35	4.10	4.10
BNM	3.00	3.00	3.00	3.00	3.00

Source: HLBB Global Markets Research

Up Next

Date	Events	Prior
3-July	JN Jibun Bank Japan PMI Services (Jun F)	49.8
	SI S&P Global Singapore PMI (Jun)	54.2
	AU Private Sector Houses MoM (May)	-1.60%
	CH Caixin China PMI Services (Jun)	54
	EC HCOB Eurozone Services PMI (Jun F)	52.6
	UK S&P Global UK Services PMI (Jun F)	51.2
	EC PPI YoY (May)	-5.70%
	US MBA Mortgage Applications	-0.80%
	US ADP Employment Change (Jun)	152k
	US Trade Balance (May)	-\$74.6b
	US Initial Jobless Claims	233k
	US S&P Global US Services PMI (Jun F)	55.1
	US Factory Orders (May)	0.70%
	US ISM Services Index (Jun)	53.8
4-July	US FOMC Meeting Minutes	
	HK S&P Global Hong Kong PMI (Jun)	49.2
	AU Exports MoM (May)	-2.50%
	UK DMP 1 Year CPI Expectations (Jun)	2.90%

Source: Bloomberg

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