

3 October 2024

Global Markets Research

Daily Market Highlights

3 Oct: Upbeat US ADP prints reaffirmed a solid labour market

Modest rebound in global stocks amid paring of risk aversion

Bonds under pressure; extended DXY gain amid dampened Fed rate cut outlook

Upbeat US ADP job prints continued to reduce odds of a 50bps Fed rate cut

- US equities rebounded with modest gains after a day of choppy trading and recovery from early session losses. Paring of risk aversion in the absence of further flare-up in geopolitical tensions in the Middle-east, coupled with reduced bets for aggressive Fed rate cuts following another positive US job prints, helped revive some appetite for riskier stocks. Futures pricing for a November and December Fed rate cut once dropped to 24bps and 55bps respectively post-ADP but has since normalized to 34bps and 70bps respectively (prior day: 35bps and 71bps).
- The three key US stock indices managed to close the day with minute gains between 0.01-0.09%. Earlier, European and Asian stocks traded mixed, and futures are pointing to mixed openings in Asian markets this morning.
- Global bonds took a turn and came under selling pressure, as demand for safety retreated amid no further escalation in the Middle-east conflict for now. The upside surprises in ADP job data which further pared back expectations for aggressive Fed rate cuts also dented demand for bonds, pushing yields higher as a result. Benchmark UST yields increased between 3-6bps across the curve led by the ultralong end and bear steepening the curve. 2-year note yield rebounded to increase 4bps to 3.64% while 10-year bond yields added 5bps to 3.78%. 10-year European bonds yields reclaimed 3-9bps after dropping 2-10bps a day earlier, with the UK gilt last closed at 4.02% (+9bps) and German bund at 2.09% (+6bps).
- In the FX space, the Dollar Index advanced for the 3rd consecutive day, advancing further by 0.4% d/d to 101.62 as at Wednesday's close, boosted by reduced bets for a 50bps Fed rate cut. The USD strengthened against all G10s save for the NOK and AUD. The EUR lost a further 0.2% to a fresh 3-week low at 1.1045, while the GBP slipped 0.1% d/d to 1.3268, its lowest in two weeks. JPY meanwhile plunged three big figures and by 2.0% d/d to 146.47, amid further dampening rate hike outlook by the BOJ.
- Asian currencies remained under pressure, with the KRW and THB leading the losers. The MYR extended its losses for a 2nd straight day, closing 0.5% d/d weaker at 4.1760 vs the USD on Wednesday, off its intraday high of 4.1818. The CNH traded flat while the SGD weakened a further 0.3% to 1.2919 vs the USD, back to its weakest level since last Monday.
- On the commodity front, oil prices registered extended gains amid lingering tension in the Middle east that raised supply concerns although this was somewhat cushioned by higher US inventories. WTI rose 0.4% d/d to \$71.01/ barrel while Brent inched up 0.2% d/d to \$74.63/ barrel. Gold pulled back modestly by 0.2% to \$2680.20/ oz after jumping 1.9% a day earlier, amid paring of safe haven demand.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	42,196.52	0.09
S&P 500	5,709.54	0.01
NASDAQ	17,925.12	0.08
Stoxx Eur 600	521.14	0.05
FTSE 100	8,290.86	0.17
Nikkei 225	37,808.76	-2.18
CSI 300	4,017.85	8.48
Hang Seng	22,443.73	6.20
Straits Times	3,584.67	0.10
KLCI 30	1,639.31	-1.03
FX		
Dollar Index	101.60	0.39
EUR/USD	1.1045	-0.21
GBP/USD	1.3268	-0.14
USD/JPY	146.47	2.02
AUD/USD	0.6885	0.03
USD/CNH	7.0364	0.09
USD/MYR	4.1760	0.46
USD/SGD	1.2919	0.30
Commodities		
WTI (\$/bbl)	71.01	0.35
Brent (\$/bbl)	74.66	0.26
Gold (\$/oz)	2,680.20	-0.17
Copper (\$\$/MT)	10,103.00	1.59
Aluminum(\$/MT)	2,684.00	1.98
CPO (RM/tonne)	4,191.00	0.75

Source: Bloomberg, HLBB Global Markets Research
 * Dated as of 1 Oct for CPO; dated 30 Sept for CSI 300

Upside surprises in US ADP employment further dented 50bps rate cut bets

- ADP private payrolls surprised on the upside, adding more jobs than expected in September, by 143k, a pick-up from the 103k in August (upwardly revised from 99k). This marked its first uptick in six months with the bulk of the job addition came from the services sector (101k) while the remaining 42k from the manufacturing sector. This strengthened the case of a still solid labour market, and further pushed back odds of a 50bps Fed rate cut in November. Futures pricing for a November cut dropped considerably to 24bps (prior 35bps), while odds of a December cut dropped to just 55bps (prior: 71bps) post-ADP although this has since normalized. We maintain our view for a 25bps cut each in the November and December FOMC meetings.
- MBA mortgage applications fell 1.3% w/w for the week ended 27-Sept (prior: +11.0% w/w), its first decline in six weeks amid a decline in refinancing, while new purchases posted a smaller gain for the 2nd straight week, by 0.7%. We view this more of a normalization after the sharp gain in the preceding week, although we also noted the slight uptick in borrowing costs from 6.13% to 6.14%.

Eurozone unemployment rate stabilized at 6.4% in August

- Unemployment rate stabilized at 6.4% in August, matching the April reading which is its record low level, reiterating a healthy labour market. No change to our house view for a 25bps cut by the ECB in 4Q.

Slight improvement in consumer confidence in Japan

- Consumer confidence inched up albeit less than expected to 36.9 in September (Aug: 36.7), its best print since April. Consumers are more upbeat about income growth and employment, and showed more willingness to spend on durable goods although they turned a tad more downbeat on overall livelihood.

Singapore PMI inched up slightly to 51.0 in September

- PMI edged up to 51.0 in September (Aug: 50.9), showing a slightly faster expansion for the month, boosted by rather broad-based improvement including new orders, new export orders, output, employment and future businesses. In line with this, the electronics sector index also rose to 51.5 (Aug: 51.3), corresponding with the uptick in electronics exports.

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
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 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
	4-Oct	HK S&P Global Hong Kong PMI (Sep)
SI Retail Sales YoY (Aug)		1.00%
US Change in Nonfarm Payrolls (Sep)		142k
US Unemployment Rate (Sep)		4.20%

Source: Bloomberg

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