

**Global Markets Research**
**Daily Market Highlights**

## 4 Sep: Investors turned risk-averse following weak ISM reading

**Continued contractions in ISM and PMI manufacturing; weaker orders the main drag**

**Sell-off in global equity markets boosted demand for Treasuries and haven currencies**

**All eyes on the Beige Book and jobs opening data today; Australia's 2Q GDP also on deck**

- Investors turned risk-averse overnight and US equities took a tumble after the weaker than expected ISM-Manufacturing rekindled fears over the health of the economy. The 3 major equity indices slid 1.5-3.3% d/d, their worst days since the global sell-off in early August and with chip stocks like Nvidia the hardest hit and defensive stocks like consumer staples gaining.
- Sentiments equally turned negative in Europe. Stoxx Eur 600 closed down 1.0% d/d with all major bourses and the majority of sectors in the red. Mining stock were laggards, taking a hit from lower iron and copper prices. Asian markets closed mixed but sentiment will likely turn sour today following the overnight selloffs in global equities.
- The sell-off in stocks boosted demand for Treasuries, sending yields sliding 5-8bps across the curve. The 2Y UST yield fell 5bps to 3.86% while the 10Y dropped 7bps to 3.83%. 10Y European bond yields fell between 3-6bps.
- DXY was narrowly traded between 101.56-101.92 before closing at 101.83 (+0.2% d/d). Safe-haven currencies like JPY (+1.0% d/d) and CHF (+0.2% d/d) strengthened against the Dollar, while AUD and NOK were laggards, weakening 1.0-1.2% d/d against the greenback. Appetite for JPY was also boosted after Bank of Japan Governor Kazuo Ueda reiterated the bank's commitment to raising rates, while AUD was weighed down by lower commodity prices. Regional currencies depreciated against the Dollar with PHP, KRW and MYR (-0.3% d/d to 4.3690) the notable underperformers.
- In the commodity market, flagging demand from China raised glut concerns and dragged on oil prices, sending both the WTI and Brent plunging 4.4-4.9% d/d. In a news update, a Libya central bank official said a deal to restore supplies appears imminent.

### Slight downward revision in the S&P US Manufacturing PMI; upward revision for Australia's Services PMI

- The final S&P Global Manufacturing PMI was revised down by 0.1ppts to 47.9 in August (prior: 49.6), while forward-looking indicators suggest the manufacturing sector drag on the overall economy could intensify in the coming months. As it is, both the new orders and new export orders have fallen for at least 2 months, while the employment sector turned contractionary.
- The final Judo Bank Australia PMI Services was revised up 0.3ppts to 52.5 for the same month (prior: 50.4) as the new business index rose to its 3-month high, driven by government stimulus (tax cuts and cost-of-living support) working its way into consumer spending. The employment index remained slightly above the neutral level, while selling price inflation fell to its lowest since July 2021.

**Key Market Metrics**

|                    | Level     | d/d (%) |
|--------------------|-----------|---------|
| <b>Equities</b>    |           |         |
| Dow Jones          | 40,936.93 | -1.51   |
| S&P 500            | 5,528.93  | -2.12   |
| NASDAQ             | 17,136.30 | -3.26   |
| Stoxx Eur 600      | 519.84    | -0.97   |
| FTSE 100           | 8,298.46  | -0.78   |
| Nikkei 225         | 38,686.31 | -0.04   |
| CSI 300            | 3,273.43  | 0.26    |
| Hang Seng          | 17,651.49 | -0.23   |
| Straits Times      | 3,480.34  | 0.50    |
| KLCI 30            | 1,676.65  | -0.09   |
| <b>FX</b>          |           |         |
| Dollar Index       | 101.83    | 0.17    |
| EUR/USD            | 1.1043    | -0.26   |
| GBP/USD            | 1.3114    | -0.24   |
| USD/JPY            | 145.48    | -0.98   |
| AUD/USD            | 0.6711    | -1.18   |
| USD/CNH            | 7.1208    | 0.07    |
| USD/MYR            | 4.3690    | 0.26    |
| USD/SGD            | 1.3071    | 0.02    |
| <b>Commodities</b> |           |         |
| WTI (\$/bbl)       | 70.34     | -4.36   |
| Brent (\$/bbl)     | 73.75     | -4.86   |
| Gold (\$/oz)       | 2,499.70  | -0.19   |
| Copper (\$\$/MT)   | 8,954.50  | -2.49   |
| Aluminum(\$/MT)    | 2,407.50  | -0.68   |
| CPO (RM/tonne)     | 3,997.00  | -1.79   |

Source: Bloomberg, HLBB Global Markets Research  
\* Dated as of 2 Sep

### The contraction in manufacturing ISM narrowed but below forecasts; construction spending unexpectedly worsened in the US

- While still in contraction territory and below expectations, manufacturing activity contracted at a slower pace m/m in August, according to the ISM (47.2 vs 46.8). Demand continues to be weak as reflected by the new orders index (44.6 vs 47.4) slipping further into contraction and as companies were unwilling to invest in capital and inventory due to the tight monetary policy and election uncertainty. The employment and price indices, nonetheless, rose to 46.0 and 54.0 respectively (prior: 43.4 and 52.9).
- In the housing market, construction spending unexpectedly worsened to -0.3% m/m in July from flat growth the prior month, as the glut of inventory hits the market and will likely weigh on 3Q GDP for the US. The dip was attributed to lower spending for residential and private non-residential properties.

#### 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                                  |
|---------------------------------------|--|--|
| 4-Sep                                 | HK S&P Global Hong Kong PMI (Aug)        | 49.5                                   |
|                                       | JN Jibun Bank Japan PMI Services (Aug F) | 54                                     |
|                                       | SI S&P Global Singapore PMI (Aug)        | 57.2                                   |
|                                       | AU GDP SA QoQ (2Q)                       | 0.10%                                  |
|                                       | CH Caixin China PMI Services (Aug)       | 52.1                                   |
|                                       | EC HCOB Eurozone Services PMI (Aug F)    | 53.3                                   |
|                                       | UK S&P Global UK Services PMI (Aug F)    | 53.3                                   |
|                                       | EC PPI YoY (Jul)                         | -3.20%                                 |
|                                       | US MBA Mortgage Applications             | 0.50%                                  |
|                                       | US Trade Balance (Jul)                   | -\$73.1b                               |
|                                       | US JOLTS Job Openings (Jul)              | 8184k                                  |
|                                       | US Factory Orders (Jul)                  | -3.30%                                 |
|                                       | 5-Aug                                    | US Federal Reserve Releases Beige Book |
| JN Real Cash Earnings YoY (Jul)       |  | 1.10%                                  |
| AU Exports MoM (Jul)                  |  | 1.70%                                  |
| SI Retail Sales YoY (Jul)             |  | -0.60%                                 |
| MA BNM Overnight Policy Rate          |  | 3.00%                                  |
| UK DMP 1 Year CPI Expectations (Aug)  |  | 2.50%                                  |
| EC Retail Sales MoM (Jul)             |  | -0.30%                                 |
| US Challenger Job Cuts YoY (Aug)      |  | 9.20%                                  |
| US ADP Employment Change (Aug)        |  | 122k                                   |
| US Initial Jobless Claims             |  | 231k                                   |
| US S&P Global US Services PMI (Aug F) |  | 55.2                                   |
| US ISM Services Index (Aug)           |  | 51.4                                   |

Source: Bloomberg

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