4 October 2024

Global Markets Research

Daily Market Highlights

4 Oct: Heightened geopolitical risks dented risk sentiments

Selloffs in US equities and bonds; extended gains in USD and oil prices

GBP plunged on dovish BOE Governor's comment; MYR corrected past 4.20s

US ISM services jumped; job data remained resilient; all eyes on NFP tonight

- US equities fell as Israel's retaliation to Iran's attack intensified geopolitical risks again and sent chills to the markets, overshadowing the bigger than expected jump in ISM services data. The VIX index, a measure of volatility and fear, surged 8.4% on the day to 20.49, its highest four weeks. Meanwhile, the three benchmark US stock indices closed down 0.0-0.4% d/d after a day of choppy trade, with tech stocks limiting the decline in NASDAQ. European stocks also took the hit and ended largely in the red, while trading was mixed in the Asian space. Today, futures are pointing to a mixed opening in Asian markets this morning.
- Global bonds remained under selling pressure for a 2nd straight day, as escalation in Middle-east conflicts and anxiety ahead of tonight's NFP kept a lid on bonds. Added signs of a resilient US labour market which further dampened Fed rate cut outlook also kept bonds under pressure. Benchmark UST yields increased a further 5-7bps on Thursday (prior 3-6bps) across the curve. 2-year note yield increased 6bps to 3.71% while 10-year bond yields added 7bps to 3.85%. 10-year European bonds yields rose a further 4-8bps generally (prior 3-9bps) except for the lower yields in UK gilts to 4.01%, and Swiss bonds (-4bps to 0.30%).
- In the FX space, the Dollar Index advanced for the 4th consecutive day, strengthening by 0.3% d/d to 101.94 as at Thursday's close, boosted by haven demand as well as reduced bets for a 50bps Fed rate cut. The USD strengthened against all G10s and Asian currencies. The EUR lost a further 0.1% to a fresh 3-week low at 1.1031, while the GBP plunged 1.1% d/d to 1.3124, also its lowest in three weeks amid dovish comments by BOE Governor Bailey that raised fear for more aggressive BOE rate cuts. JPY weakness stayed extended, weakening further by 0.3% d/d to end the day at 146.93, as newly elected Prime Minister Ishiba warned that Japan wasn't ready for higher borrowing costs, further dampening rate hike outlook by the BOJ. In the Asian space, MYR led decliners, weakening 1.1% d/d and by five big figures change to 4.2218 as at Thursday's close, its weakest in 11 days.
- 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. The CNH fell 0.2% d/d to 7.0515 while the SGD weakened 0.4% d/d to 1.2974.
- On the commodity front, oil prices registered extended gains amid heightened tension in the Middle East. WTI jumped 3.8%% d/d to $73.71/

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	42,011.59	-0.44
S&P 500	5,699.94	-0.17
NASDAQ	17,918.47	-0.04
Stoxx Eur 600	516.29	-0.93
FTSE 100	8,282.52	-0.10
Nikkei 225	38,552.06	1.97
CSI 300	4,017.85	8.48
Hang Seng	22,113.51	-1.47
Straits Times	3,577.43	-0.20
KLCI 30	1,641.55	0.14
FX		
Dollar Index	101.95	0.34
EUR/USD	1.1031	-0.13
GBP/USD	1.3124	-1.09
USD/JPY	146.93	0.31
AUD/USD	0.6840	-0.65
USD/CNH	7.0515	0.21
USD/MYR	4.2218	1.10
USD/SGD	1.2974	0.43
Commodities		
WTI ($/bbl)	73.71	3.80
Brent ($/bbl)	77.88	4.31
Gold ($/oz)	2,675.90	-0.16
Copper ($$/MT)	9,893.50	-2.07
Aluminum($/MT)	2,637.50	-1.73
CPO (RM/tonne)	4,234.00	1.03

Source: Bloomberg, HLBB Global Markets Research
** Dated as of 2 Oct for CPO; dated 30 Sept for CSI 300*

barrel while Brent rallied 4.00% d/d to $77.64/ barrel, both at its highest in five weeks.

ISM spiked to a 19-month high; PMI services remained expansionary despite at varying speed across the globe

- The ISM gauge surged much more than expected to a 19-month high of 54.9 in September (Aug: 51.5), pointing to growth optimism ahead although respondents expressed concerns over still high interest rates and election uncertainties. The sharp spike was boosted by a jump in new orders (59.4 vs 53.0) and prices paid (59.4 vs 57.3). The employment index however tapered off more than expected to 48.1 (Aug: 50.2), its first reading below the 50 neutral threshold in three months, casting doubt on the resiliency seen in the labour market thus far, and raised concern for a soft NFP print later tonight. The final reading of PMI services was revised 0.2ppt higher from the preliminary estimate to 55.2 in September, suggesting a slower pullback from August's 55.7. Contrary to ISM, the employment index increased from prior month.
- In the Eurozone, PMI services was revised higher to 51.4 in September (prelim 50.5), suggesting a much smaller moderation from August's 52.9, definitely a welcoming and soothing sign that the Eurozone economy has not deteriorated as much as earlier feared.
- On the contrary, the final print of UK PMI services eased more than initially estimated to 52.4 in September (Aug: 53.7 and prelim 52.8), but however continued hanging on to recent ranges and in expansionary territory for 11th straight month, suggesting positive growth outlook for the sector.
- A similar reading from Japan also showed the services sector eased more than initially estimated to 53.1 in September (prelim 53.9 and Aug 53.7), and so is the PMI services down under, with the final print revised lower to 50.5 (prelim 50.6 and Aug 52.5). In Singapore, S&P global PMI softened to 56.6 in September, down from 57.6 in August, as a result of slower expansion in output and new orders, similar to the observation in other countries.

US initial jobless claims rose for the first week in three but remained resilient; factory orders unexpectedly fell; durable goods orders stagnated

- Initial jobless claims rose more than expected by 6k to 225k for the week ended 28-Sept (prior 219k), its first uptick in three weeks, but showed no alarming signs of massive layoffs or severe slowdown in the labour market. In addition, continuing claims glided slightly lower from 1827k to 1826k for the week ended 21-Sept. A still strong labour market shall allow the Fed to cut rates more gradually. On the contrary, Challenger job cuts jumped 53.4% y/y in September (Aug: +1.0% y/y), its biggest increase in a year, although the number of job cuts fell 4.0% m/m.
- Factory orders unexpectedly fell 0.2% m/m in August (Jul: +4.9% y/y). Orders ex-volatile transport also staged a surprised 0.1% m/m decline (Aug: +0.3% m/m), signalling underlying softening in factory activities.
- The final print of durable goods orders confirmed that orders stagnated in August, pulling back sharply from the 9.8% m/m increase in July. Orders ex transportation however rebounded to increase 0.5% m/m as initially estimated (Jul: -0.2% m/m), still pointing to expansion in business spending that would continue to underpin GDP growth.

Eurozone producer prices point to benign price pressure

- The rate of increase in producer prices eased to +0.6% m/m in August (Jul: +0.7% m/m), but nevertheless marked its 3rd straight month of gains, its longest growing streak since October last year. This was once again driven primarily by a continuous spike in energy costs (+1.9% vs +2.6% m/m). Ex-energy, PPI fell 0.1% m/m (Jul: 0.0%), suggesting benign price pressure. On a YOY basis, producer prices saw extended fall (-2.3% vs -2.2% y/y), as a result of declines in energy and intermediate goods prices. Although this marked the 16th consecutive month of decline, PPI has been seeing a gradual uptick from the -10.5% y/y low seen a year ago.

Contractions in Australia exports and imports

- Trade surplus unexpectedly widened just marginally to A$5644m in August, from A$5636m in July, as exports and imports contracted at an equal pace of 0.2% m/m during the month (Jul: +0.3% and -0.6% m/m respectively). Exports fell for the first time in four months, amid lower agriculture exports, while non-agricultural exports gained on the month. The decline in imports on the other hand, was dragged by lower imports of consumer goods. Higher exports to China and Japan were offset by lower exports to the US, UK and Singapore.

Extended falls in Hong Kong retail sales

- Retail sales fell at a bigger than expected pace of 10.1% y/y in August (Jul: -11.7% y/y). This marked its 6th straight month of contraction and the longest losing streak since Jan-21, adding to signs of a beleaguered consumption and growth outlook in the Hong Kong economy, more so given China headwinds.

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
4-Oct	HK S&P Global Hong Kong PMI (Sep)	49.4
	SI Retail Sales YoY (Aug)	1.00%
	US Change in Nonfarm Payrolls (Sep)	142k
	US Unemployment Rate (Sep)	4.20%
7-Oct	JN Leading Index CI (Aug P)	109.3
	MA Foreign Reserves (11202)	$117.6b
	EC Sentix Investor Confidence (Oct)	-15.4
	EC Retail Sales MoM (Aug)	0.10%

Source: Bloomberg

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