

5 July 2024

Global Markets Research

Daily Market Highlights

5 July: All eyes on the US NFP; the Labour Party is set to win UK's election

European & Asian stocks rallied; the latter supported by tech stocks; Brent crude oil prices steadied

DXY slipped for the third day in thin trade; EUR and GBP strengthened mildly amid elections

JPY weakened after Japan's household spending print unexpectedly weakened

- Wall Street was shut on Thursday for Independence Day.
- Asian stocks climbed but are expected to be cautiously traded today before the US non-farm payroll (NFP) data. Japanese and Taiwanese stock exchanges were the leading gainers in the region, supported by a rally in chip stocks like TSMC, Samsung and Hon Hai. Broad-based rally in Japanese shares also powered Topix to its all-time high and Nikkei 225 to another fresh record (+0.8% d/d). In Europe, French and UK stocks outshined its peers ahead and on the day of the elections, with polls showing that the National Rally and Labour Party are set to win, the latter by a landslide. Stoxx Eur 600 closed up 0.6% d/d, with banks and energy sectors leading gains.
- In the bonds market, 10Y European sovereign bond yields were up 2-4bps, with French bonds underperforming its German peers slightly ahead of Sunday's vote.
- DXY fell for the third day (-0.3% d/d to 105.13) amid thin trade given the US holiday. Most of its G10 peers strengthened (+0.1-0.3% d/d) against USD, save for the SEK and NOK (-0.1% d/d each). All regional currencies appreciated against the greenback, led by gains in TWD, KRW and THB (0.4-0.5% d/d). Closer to home, CNH, MYR and SGD strengthened between 0.1-0.2% d/d each to 7.2939, 4.7090 and 1.3519 respectively.
- Brent crude oil prices steadied (+0.1% d/d), as signs of weaker demand vied with the decline in US crude stockpiles. Prices were supported by the drop in US crude inventories last week, but gains were limited by Saudi Aramco's decision to cut the price of its flagship Arab Light crude for August shipment. The threat to Gulf of Mexico oil and gas production is also diminishing, as Hurricane Beryl spared major drilling areas and platforms.

Easing inflationary pressures in the UK

- The latest BOE survey of firms showed that inflation pressures have and will ease, with the DMP 1Y CPI expectations inching down 0.1ppts to 2.8% in June as per expected, while annual wage growth is expected to decline by 1.8ppts over the next 12 months from 6.0% in the three months to June.

Australia's trade surplus narrowed as import growth outpaced exports

- Trade surplus narrowed to A\$5.8bn in May from A\$6.0bn previously, as import growth outstripped exports at 3.9% m/m and 2.8% m/m respectively (Apr: -7.0% m/m and -2.2% m/m). The rebound in exports were driven by metal ores & minerals, while imports strengthened owing to intermediate goods, specifically fuel & lubricants, as well as consumption goods, a sign that consumer spending may pick up towards the end of the financial year. Despite the volatility in the trade numbers, Australia's trade has largely grappled with weak economic conditions in its key export markets, namely

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	39,308.00	-0.06
S&P 500	5,537.02	0.51
NASDAQ	18,188.30	0.88
Stoxx Eur 600	517.54	0.56
FTSE 100	8,241.26	0.86
Nikkei 225	40,913.65	0.82
CSI 300	3,445.81	-0.51
Hang Seng	18,028.28	0.28
Straits Times	3,439.88	0.71
KLCI 30	1,616.75	0.09
FX		
Dollar Index	105.13	-0.26
EUR/USD	1.0812	0.24
GBP/USD	1.2760	0.14
USD/JPY	161.28	-0.25
AUD/USD	0.6726	0.31
USD/CNH	7.2939	-0.13
USD/MYR	4.7090	-0.22
USD/SGD	1.3519	-0.14
Commodities		
WTI (\$/bbl)	83.88	1.29
Brent (\$/bbl)	87.43	0.10
Gold (\$/oz)	2,369.40	1.54
Copper (\$\$/MT)	9,882.50	0.15
Aluminum(\$/MT)	2,522.50	-1.00
CPO (RM/tonne)	4,103.00	0.16

Source: Bloomberg, HLBB Global Markets Research
 * Dated as of 3 July, Dow Jones Industrial Average, S&P 500, Nasdaq, WTI, Gold

Asia and Europe, as well as fluctuation in commodity prices.

Japan's household spending unexpectedly fell

- Household spending unexpectedly fell 1.8% y/y in May (Apr: +0.5% y/y), raising risks that consumer spending won't help to drive the economic recovery in 2H. The result belies BOJ's view that private consumption is on the mend, boosted by the strongest wage growth in over 3 decades, sending USD/JPY spiralling to as high as 161.38 at the point of writing this morning.

Hong Kong's PMI stayed below 50 for the second month

- The S&P Global Hong Kong PMI remained below 50 for the second month and lower at 48.2 in June (May: 49.2), suggesting that conditions have worsened. The new orders index fell sharply to its 21-month low, while subdued demand and rising competition not only dampened sentiment among businesses, but also resulted in another round of job shedding. Notably, some firms flagged concerns over rising costs eroding demand as well as fanning price inflation going forward.

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
5-July	SI Retail Sales SA MoM (May)	-2.70%
	JN Leading Index CI (May P)	
	MA Foreign Reserves	\$114.1b
	EC Retail Sales MoM (May)	-0.50%
	US Change in Nonfarm Payrolls (Jun)	272k
	US Average Hourly Earnings MoM (Jun)	0.40%
8-July	US Average Weekly Hours All Employees (Jun)	34.3
	JN Labor Cash Earnings YoY (May)	2.10%
	JN Bank Lending Incl Trusts YoY (Jun)	3.00%
	AU Home Loans Value MoM (May)	4.80%
	JN Eco Watchers Survey Current SA (Jun)	45.7
	EC Sentix Investor Confidence (Jul)	0.3
8-12 July	US NY Fed 1-Yr Inflation Expectations (Jun)	3.17%
	SI GDP SA QoQ (2Q A)	0.10%

Source: Bloomberg

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