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Global Markets Research

Daily Market Highlights

6 Sep: All eyes on US job data today

Slower hiring and more job cuts in the US private sector; jobless claims remain low

Risk-off sentiment in the financial markets; equities, treasury yields and DXY fell

BNM stood pat; expect extended pause amid modest growth and tame CPI

- Mounting concerns over the state of the US labour market pushed appetite for global equities and Treasury yields lower ahead of today's keynote non-farm payroll (NFP) and jobless rate report. The Dow and S&P 500 closed down 0.3-0.6% d/d, although Nasdaq gained 0.3% d/d as Tesla shares popped 4.9% d/d after announcing that it plans to launch its full self-driving software in Europe and China. The downdrift for the Dow and broad index came after fresh ADP data showed that private payrolls slowed to its weakest since 2021 while the ISM-Services employment sub-index also pointed to slower growth. Meanwhile, corporate results from Dollar Tree to McKesson and JetBlue Airways were mixed.
- Worries over the labour market also dragged on the European markets, sending Stoxx Eur 600 sliding 0.6% d/d and healthcare, consumer products and technology amongst the biggest decliners. Asian markets extended their losses, with Nikkei 225 suffering a steep drop after wages recorded softer growth in August. As it is, the broad risk-off sentiment will most likely pressure Asian stock markets today.
- In the bond space, US treasury yields slid between 1-4bps led by the long-ends. The benchmark 2Y yield fell 1bps to 3.74%, while the 10Y dropped 3bps to 3.73%. 10Y European bond yields also fell 0-4bps following the still weak retail sales print for the bloc.
- DXY fell 0.3% d/d to 101.11 following the weaker than expected payroll print, and the Dollar traded weaker against all its G10 peers save for the NOK. GBP and EUR strengthened 0.3% d/d each against the Dollar, while AUD and JPY appreciated at a slightly milder pace of 0.2% m/m each after a relatively hawkish stance from their central bank board members. JPY benefited from Hajime Takata's comment that it will be necessary to adjust its monetary policy if inflationary trends align with the central bank's forecast, while AUD strengthened after Governor Michele Bullock said that the RBA will struggle to maintain low unemployment if prices stay above its target level "indefinitely". In Asia, USD also traded weaker against regional currencies save for the INR. CNH and SGD appreciated 0.3% d/d each, while MYR closed the day 0.4% d/d stronger at 4.3380, paring some of its earlier gains after BNM's decision to maintain the OPR and neutral stance.
- Oil prices held steady and slid less than 0.1% d/d as risk-off sentiment in the broader markets undercut chatter that OPEC+ plans to pause its planned crude production increase in 4Q. Data also showed that US crude inventories fell to 6.9m last week, lending further support to prices.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	40,755.75	-0.54
S&P 500	5,503.41	-0.30
NASDAQ	17,127.66	0.25
Stoxx Eur 600	512.05	-0.54
FTSE 100	8,241.71	-0.34
Nikkei 225	36,657.09	-1.05
CSI 300	3,257.76	0.17
Hang Seng	17,444.30	-0.07
Straits Times	3,458.66	0.50
KLCI 30	1,664.82	-0.32
FX		
Dollar Index	101.11	-0.25
EUR/USD	1.1111	0.26
GBP/USD	1.3180	0.25
USD/JPY	143.45	-0.20
AUD/USD	0.6741	0.24
USD/CNH	7.0899	-0.33
USD/MYR	4.3380	-0.35
USD/SGD	1.3001	-0.28
Commodities		
WTI ($/bbl)	69.15	-0.07
Brent ($/bbl)	72.69	-0.01
Gold ($/oz)	2,519.70	0.68
Copper ($$/MT)	9,092.00	1.47
Aluminum($/MT)	2,378.50	-0.75
CPO (RM/tonne)	3,993.00	-1.37

Source: Bloomberg, HLBB Global Markets Research
** Dated as of 4 Sep*

BNM maintained OPR at 3.00% and neutral policy tone

- BNM maintained OPR unchanged at 3.00% for the eighth consecutive meeting at its September MPC meeting as widely expected. BNM's assessment on growth and inflation outlook, as well as the overall neutral tone of the policy statement remained little changed, pointing to an extended pause in the OPR in the foreseeable future in our view. The global economy continued to expand while global trade continued to recover, with a growing number of central banks joining the bandwagon of policy easing. Domestically, economic data pointed to sustained strength in the economy amid continued support from both domestic demand and exports recovery. Inflation has remained largely contained given manageable spillovers from the diesel price adjustment in June.
- Moving forward, we reaffirmed our view for an extended pause in the OPR probably through next year. The Malaysian economy has demonstrated surprisingly strong momentum thus far, adding to signs of solid growth outlook that would likely see full year GDP growth exceeding the official forecast range of 4.0-5.0% (house view 5.4%). Meanwhile, inflationary pressure is expected to stay well-contained despite upside risk from second round effects from subsidy reforms. Likely postponement of the roll-out of RON95 subsidy retargeting is expected to further alleviate upside inflationary risk. On the contrary, most major global central banks have embarked on their policy easing cycle and the Fed is inching even closer to a policy pivot with the first rate cut in 4½ years set to take place later this month. Inflation continues to retreat closer to target level although the disinflation progress has slowed. This, coupled with growing signs of a softening labour market have prompted the Fed to shift its priority from inflation to job mandate, setting the stage for a rate cut at its FOMC meeting on 18-19 September. Imminent narrowing yield differentials is expected to be beneficial to MYR and MYR assets in our view.

Still expansionary services sector for the US; hiring in the private sector slowed; initial jobless claims may tick up given the job-cut announcements

- The job market's downward drift brought the US to slower-than-normal hiring in August. According to the ADP, companies hired just 99k workers in August (prior: +111k), below street estimates, slowing for the fifth month and to its lowest since 2021. Wage growth was stable (4.8% for job-stayers and +7.3% for job changers) but we expect this to moderate in the months ahead given the softer employment market.
- Meanwhile, initial jobless claims remained low and fell more than expected to 227k for the week ended August 31 (-5k vs -1k) but amid more job cut announcements, layoffs may pile up soon. According to Challenger Gray, employers announced 75.9k job cuts in August, a 193% m/m jump but slowed to 1.0% on a y/y basis (prior: +9.2% y/y). The m/m surge in job cuts reflects growing economic uncertainty, shifting market dynamics and as companies face pressures from rising operational costs. Technology announced the most job cuts in 20 months during the month, followed by education, hotels & travel companies due to competition, manufacturing due to AI and automation as well as retailers like Macy's and LL Flooring,
- In the services sector, the final S&P Services PMI was revised down 0.5ppts to 55.7 in August (prior: 55.0), while the ISM Services Index unexpectedly inched up slightly to 51.5 (prior: 51.4). New orders (faster), employment (slower) and prices (faster) sub-indices were all still expansionary, while slow-to-moderate growth was reported across many industries. Ongoing high

costs and interest-rate pressures were often mentioned as negatively impacting business performance and driving softness in sales and traffic.

Eurozone's retail sales remained sluggish with a 0.1% m/m gain

- Retail sales increased a modest 0.1% m/m in July, slightly lower than expected but a rebound from -0.4% m/m the prior month. The uptick was driven by food and non-products (except automotive fuel) but continues to paint a sluggish picture for the consumer sector. Moving forward, we expect sales in 3Q to benefit from the easing price pressures, still elevated wage growth and a bump in retail spending due to the Olympic games.

UK's CPI expectations ticked up, but output prices and wage growth were stable or eased

- Price expectations were mixed in the UK, but points to gradual disinflation trend. DMP's CPI inflation a year ahead accelerated to 2.6% in August (prior: 2.5%), matching expectations but the 3-month output price expectations eased to 3.6% from 3.7% previously. Expected year-ahead wage growth remained stable at 4.1%.

Australia's trade surplus widened as imports plunged due to fuel

- Trade surplus unexpectedly widened to A$6.0bn in July from A$5.4bn previously as exports grew 0.7% m/m but imports fell 0.7% m/m due to fuels and lubricants (prior: +1.4% m/m and +0.4% m/m). Imports of consumer and capital nonetheless held up and expanded, suggesting resilient, albeit softer consumer spending and investment going forward but all in, the net trade bodes well for GDP calculation in 3Q.

Japan's household spending recorded meagre growth despite wage hikes

- Household spending was largely flat in July (+0.1% m/m), rebounding from -1.4% m/m previous and below expectations. The data came even as wages have recorded two months of growths following the shunto deal and suggests that a recovery in the consumer sector remains tepid in 3Q.

Singapore's retail sales rebounded to grow 1.0% y/y on motor vehicles

- Retail sales eked out a marginal gain of +1.0% y/y in July, reversing a -0.6% y/y decline the previous month. Sales were nonetheless below street estimates and was mainly driven by the higher certificate of entitlement quota (COE) which drove up car sales. Stripping this, sales would have fallen 2.3% y/y as most industries recorded contraction during the month. Possibly contributing to this was lower tourist spending due to the strong SGD, as well as residents reining in their spending after travelling overseas during the June school holidays. Moving forward, sales in 2H could be lifted by major events such as concerts and the Formula One Grand Prix, as well as the Government's enhanced Assurance Package to help Singaporeans cope with the higher cost of living.

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
6-Sep	AU Home Loans Value MoM (Jul)	1.30%
	JN Leading Index CI (Jul P)	109
	MA Foreign Reserves	$115.9b
	EC GDP SA QoQ (2Q F)	0.30%
	EC Employment QoQ (2Q F)	0.20%
	US Change in Nonfarm Payrolls (Aug)	114k
	US Unemployment Rate (Aug)	4.30%
	US Average Hourly Earnings MoM (Aug)	0.20%
	VN Industrial Production YoY (Aug)	11.20%
	VN CPI YoY (Aug)	4.36%
	VN Retail Sales YoY (Aug)	9.40%
	VN Exports YoY (Aug)	19.10%
9-Sep	JN GDP Annualized SA QoQ (2Q F)	3.10%
	JN Bank Lending Ex-Trusts YoY (Aug)	3.60%
	CH PPI YoY (Aug)	-0.80%
	CH CPI YoY (Aug)	0.50%
	JN Eco Watchers Survey Outlook SA (Aug)	48.3
	EC Sentix Investor Confidence (Sep)	-13.9
	US NY Fed 1-Yr Inflation Expectations (Aug)	2.97%
9-15 Sep	CH Aggregate Financing CNY YTD (Aug)	18870.0b

Source: Bloomberg

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