

6 November 2024

Global Markets Research

Daily Market Highlights

6 Nov: All eyes on US election outcome and BNM MPC today

Risk-on sentiment on US election day; equities rallied; USTs closed mixed; USD weakened AUD strengthened after RBA said inflation is high; returning sustainably to target in 2026 US ISM and China Caixin's PMI services surprised on the upside

- US equities rose solidly on Tuesday, bouncing back from prior day's declines in a mild session as voters headed to the polls for the US presidential election. All the three major indices closed up 1.0-1.4% d/d, and all the 11 sectors in the S&P 500 pushed higher led by consumer discretionary and industrial stocks.
- In Europe, Stoxx Eur 600 ended the session 0.1% d/d up, with sectors registering mixed performances. Similarly, most Asian markets closed in the green yesterday and are set to echo US' risk-on sentiment today. Notably, CSI 300 jumped 2.5% d/d, getting a boost from stimulus hopes as well as encouraging economic data recently.
- In the bond market, Treasuries yields closed mixed between -3 to +2bps across the curve. This comes after yields slid 5-11bps the day before. The 2Y note yield closed up 2bps to 4.18%, while the 10Y yield slid 1bps to 4.27%. Meanwhile, 10Y European bond yields rose 0-7bps after closing mixed the prior day (-3 to +7bps).
- Pared down Trump-win bets saw the Dollar weakening against all its G10 peers for the second day. DXY closed down 0.4% d/d to 103.42, with NZD (+0.6% d/d), GBP (+0.7% d/d) and AUD (+0.8% d/d) leading gains against greenback. AUD strengthened after the RBA maintained a hawkish hold on its policy rate. Regional currencies mostly appreciated against the Dollar, led by MYR (+0.6% d/d to 4.3460), SGD (+0.4% d/d to 1.3144) and JPY (+0.3% d/d to 151.62) respectively. CNH also strengthened against USD, albeit at a milder pace of +0.2% d/d.
- In the commodities market, oil prices edged higher again in tune to 0.6-0.7% d/d. Supporting prices were Tropical Storm Rafael threatening disruptions in US offshore oil and natural gas platforms, prompting Chevron to shut its production in the US Gulf. Also helping to keep prices elevated were geopolitical concerns in the Middle East as well as a delay in output hike by OPEC+ producers.

RBA maintained a hawkish hold at 4.35%, as expected

- As widely expected, the Reserve Bank of Australia (RBA) maintained its cash rate target unchanged at 4.35%. Key highlights from the latest decision include: 1) The central bank maintained its stance of sustainably returning inflation to target as a top priority and "not ruling anything in or out" going forward. 2) The forecasts released were similar to those published previously, but **RBA did cut its GDP forecasts by 0.2ppts to 2.3% for 2025**. The central bank added that household consumption will recover in line with real incomes, but a bit later than its previous forecast. 3) The underlying inflation remains too high and that the recent retreat in prices reflects temporary cost

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	42,221.88	1.02
S&P 500	5,782.76	1.23
NASDAQ	18,439.17	1.43
Stoxx Eur 600	509.53	0.06
FTSE 100	8,172.39	-0.14
Nikkei 225	38,474.90	1.11
CSI 300	4,044.57	2.53
Hang Seng	21,006.97	2.14
Straits Times	3,581.61	0.27
KLCI 30	1,620.70	0.26
FX		
Dollar Index	103.42	-0.44
EUR/USD	1.0930	0.48
GBP/USD	1.3042	0.66
USD/JPY	151.62	-0.34
AUD/USD	0.6638	0.80
USD/CNH	7.1017	-0.15
USD/MYR	4.3460	-0.64
USD/SGD	1.3144	-0.40
Commodities		
WTI (\$/bbl)	71.99	0.73
Brent (\$/bbl)	75.53	0.60
Gold (\$/oz)	2,749.70	0.13
Copper (\$\$/MT)	9,738.50	0.43
Aluminum(\$/MT)	2,660.00	1.53
CPO (RM/tonne)	4,992.50	2.16

Source: Bloomberg, HLBB Global Markets Research
* Dated as of 4 Nov for CPO

of living relief. With this, **RBA does not expect inflation returning sustainably to 2.5% until 2026**. 4) Labour market conditions remain tight but are expected to return to balance by late 2025. RBA is pencilling an unemployment rate of 4.5% in December 2025.

Mixed S&P PMI prints; China's Caixin Services PMI improved more than expected into the expansionary zone

- The final S&P US Services PMI was revised down 0.3ppts to 55.0 in October (prior: 55.2), but firms' expectations for the coming year perked up from a slump previously. A particularly good news is that average prices slowed to its lowest in 4 years, boding well for easing price pressure.
- The final S&P UK Services PMI was revised up 0.2ppts to 52.0 in October. Despite this, the index is down from 52.4 in September and the lowest since November 2023, as firms grappled with softer new orders growth and waited for clarity on government policy ahead of the Autumn Budget as well as the US elections. Price-related indicators were mixed, with wages ticking higher but output charged slid to its 43-months low, consistent with a longer-term trend of decelerating price pressures.
- China's Caixin Services PMI improved more than expected by 1.7ppts to 52.0 in October and businesses were confident on macroeconomic prospects in the near term. The improvement was driven by expansionary new order and employment sub-indicators for the second month, while selling prices were unchanged. All in, the headline reflects the positive impact from the recent stimulus measures and signs of stabilizing domestic demand.
- The positive impact from China's stimulus also spilled over to Hong Kong, boosting new orders, purchasing and inventory levels. The headline S&P Global Hong Kong PMI improved to 52.2 in October after stagnating previously. That said, there was no evidence of a turnaround in business sentiment nor employment levels.
- The headline S&P Global Singapore PMI stood at 55.5 in October (prior: 56.6). Despite easing to a four-month low, the rate of growth remained solid and remains above YTD average. Forward-looking indicators suggest that growth will likely be sustained for the rest of 2024 amid still expansionary new orders, a noticeable increase in the level of outstanding business as well as business sentiment.

US ISM-Services defied expectations and grew at a faster pace

- Despite concerns over the political scenario, impact from the hurricanes and strikes, the ISM Services index unexpectedly improved 1.1ppts to 56.0 in October. The increase was driven by the employment and supplier deliveries sub-indices, which overshadowed the drop in the business activity and new orders. Still, all the 4 sub-indicators remained above their YTD averages. Growth in the price index also decelerated, boding well for easing price pressure and our expectations of more gradual rate cuts ahead.
- Trade deficit widened more than expected to \$84.4bn in September from -\$70.8bn previously, which could weigh down on GDP calculation in 3Q and reflects a higher goods deficit which more than the higher surplus in the services sector. Exports fell 1.2% m/m (prior: +1.8% m/m) overall, weighed down by the decline in exports of all goods save food & beverages. Imports, on the other hand, rebounded 3.0% m/m (prior: -1.0% m/m) with improvements seen across the board, suggesting firm domestic demand as well as retailers stocking up ahead of the festive season.

Singapore's retail sales jumped on demand for motor vehicles

- Consumer spending in Singapore remained mixed in September, with retail sales accelerating more than expected to 2.0% y/y in September (prior: +0.7% y/y) primarily due to strong demand for motor vehicles. Sales for the rest of the goods fell, but with the labour market still resilient and business expectations among firms in Singapore's services sector still positive up to 1Q 2025, we expect consumer spending to hold the fort until at least then.

House View and Forecasts

FX	This Week	4Q-24	1Q-25	2Q-25	3Q-25
DXY	102-106	101.56	100.54	99.53	99.04
EUR/USD	1.07-1.10	1.11	1.12	1.13	1.14
GBP/USD	1.27-1.31	1.33	1.35	1.36	1.37
USD/JPY	150-154	146	142	138	135
AUD/USD	0.64-0.68	0.68	0.69	0.70	0.71
USD/MYR	4.32-4.43	4.25	4.20	4.15	4.10
USD/SGD	1.30-1.34	1.31	1.29	1.27	1.25

Rates, %	Current	4Q-24	1Q-25	2Q-25	3Q-25
Fed	4.75-5.00	4.25-4.50	3.75-4.00	3.50-3.75	3.25-3.50
ECB	3.25	3.00	2.75	2.50	2.25
BOE	5.00	4.75	4.50	4.25	4.00
BOJ	0.25	0.25	0.40	0.40	0.55
RBA	4.35	4.35	4.10	3.85	3.60
BNM	3.00	3.00	3.00	3.00	3.00

Source: HLBB Global Markets Research

Up Next

Date	Events	Prior
6-Nov	JN Jibun Bank Japan PMI Services (Oct F)	49.3
	MA BNM Overnight Policy Rate	3.00%
	EC HCOB Eurozone Services PMI (Oct F)	51.2
	EC PPI YoY (Sep)	-2.30%
	US MBA Mortgage Applications	-0.10%
	VN CPI YoY (Oct)	2.63%
	VN Exports YoY (Oct)	10.70%
7-Nov	VN Industrial Production YoY (Oct)	10.80%
	VN Retail Sales YoY (Oct)	7.60%
	JN Labor Cash Earnings YoY (Sep)	3.00%
	AU Exports MoM (Sep)	-0.20%
	MA Foreign Reserves	\$119.6b
	EC Retail Sales MoM (Sep)	0.20%
	UK Bank of England Bank Rate	5.00%
	US Unit Labor Costs (3Q P)	0.40%
	US Initial Jobless Claims	216k
	CH Exports YoY (Oct)	2.40%

Source: Bloomberg

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