

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

## 9 Sep: NFP left markets still divided on pace of Fed rate cut

**Fewer than expected NFP gains; downtick in jobless rate no longer flagged recession risks**

**Appetite for global stocks dented; UST yields tumbled; DXY recouped some grounds**

**Eurozone and Japan's 2Q GDP revised down to 0.2% and 2.9% q/q respectively**

- August's non-farm payroll data (NFP) data fell short of street estimates last Friday, leaving markets still worried over the health of the US economy, yet failed to provide clarity on the possible size of Fed's rate cut in the September FOMC meeting. Adding to the rumble was Fed Governor Christopher Waller's comment that he is open minded over the possibility for a bigger rate cut as the jobs data "requires action" and consequently, markets remain divided on whether the Fed will deliver a 25 or 50bps rate cut in the September FOMC meeting. The 3 major equity indices closed down 1.0-2.6% d/d and all sectors, save for real estate, closed in the red. AI-related stocks were the hardest hit.
- The US job scare also dented appetite for the European equity markets. Stoxx Eur 600 closed down 1.1% d/d, with all major bourses and almost all sectors ending in the red, led by tech and mining stocks. Asian markets mostly fell after Japan's spending data missed estimates and will likely continue its downward trend today.
- The weaker than expected labour data saw Treasury yields tumbling 0-10bps across the curve led by the short-dated bonds. The 2Y yield fell 10bps to 3.65%, while the 10Y dipped 2bps to 5.71%. 10Y European bond yields also fell 0-4bps, with the exception of Norwegian sovereign bonds.
- DXY wavered between gains and losses before closing 0.1% d/d higher at 101.18 after US NFP data left markets divided over the pace of Fed rate cut this month. Against the USD, AUD, NZD and NOK (-0.7 to -1.0% d/d) were the worst performers among G10 as oil prices tumbled, while haven currencies CHF and JPY strengthened (0.1-0.8% d/d). Closer to home, most regional currencies appreciated against the Dollar. MYR appreciated 0.2% d/d to 4.3302, but CNH and SGD weakened 0.1-0.2% against the greenback.
- Crude oil prices sank 2.1-2.2% d/d as the weak US jobs report added to concerns over demand, and OPEC+'s decision to reverse its production hike in 3Q failed to arrest this decline.

### Gains in non-farm payroll picked up for the US but undershot expectations

- In our opinion, August's NFP data was mixed and we maintain our call of a 25bps rate cut in the September FOMC meeting, as well our view that the labour market is weakening but the still low layoffs suggest that the economy is on track for a soft-landing. Echoing our view is the SAHM rule, which no longer signals impending recession risks for the economy.
- The gains in NFP rose to +142k, an uptick from +89k previously but was below consensus forecast. Amid no change in the labour participation rate, the unemployment rate ticked down to 4.2% as expected (prior: 4.3%), but the previous two months saw substantial downward revisions by 86k. Job gains were led by the construction and health care sectors, while average hourly

### Key Market Metrics

	Level	d/d (%)
<b>Equities</b>		
Dow Jones	40,345.41	-1.01
S&P 500	5,408.42	-1.73
NASDAQ	16,690.83	-2.55
Stoxx Eur 600	506.56	-1.07
FTSE 100	8,181.47	-0.73
Nikkei 225	36,391.47	-0.72
CSI 300	3,231.35	-0.81
Hang Seng	17,444.30	-0.07
Straits Times	3,454.47	-0.12
KLCI 30	1,653.12	-0.70
<b>FX</b>		
Dollar Index	101.18	0.07
EUR/USD	1.1084	-0.24
GBP/USD	1.3129	-0.39
USD/JPY	142.30	-0.80
AUD/USD	0.6671	-1.04
USD/CNH	7.0948	0.07
USD/MYR	4.3302	-0.18
USD/SGD	1.3027	0.20
<b>Commodities</b>		
WTI (\$/bbl)	67.67	-2.14
Brent (\$/bbl)	71.06	-2.24
Gold (\$/oz)	2,501.50	-0.72
Copper (\$\$/MT)	8,996.00	-1.06
Aluminum(\$/MT)	2,342.00	-1.53
CPO (RM/tonne)	4,006.50	0.34

Source: Bloomberg, HLBB Global Markets Research  
\* Dated as of 5 Sep for CPO and Hang Seng

earnings and weekly hours improved to +0.4% m/m and 34.3 hours respectively (prior: +0.2% m/m and 34.2).

#### **Eurozone's final 2Q revised down to +0.2% on consumer spending and investment**

- The final 2Q GDP was revised down 0.1ppt to +0.2% q/q in 2Q and also marked a deceleration from 1Q's +0.3% q/q. The downward revision reflects a shave in its household consumption and gross fixed capital contributions to GDP, which undercut an upward revision in its government spending data. As it is, we will see a bump in 3Q GDP with the Olympic factor boost, but the overall economic picture remains a sluggish one and ECB's +0.8% GDP growth forecast for 2024 remains at risk in our opinion.

#### **Australia's home loans surged to near record high**

- Home loans accelerated to 2.9% y/y in July from +1.0% y/y driven by more loans being approved as well as higher dwelling prices. At \$11.7b, this is close to the record high in January 2022 and strong population growth will likely keep the housing market well supported at this juncture.

#### **Japan's leading index improved more than expected, bank lending slowed, 2Q GDP revised down slightly**

- All in, data released showed some stability, albeit still tepid recovery for the economy. Leading index rose more than expected to 109.5 in July (prior: 109.1), driven by a rebound in housing starts as well as an acceleration in consumer confidence and stock price indices. The assessment for coincidence was maintained as "halting to fall."
- Data this morning meanwhile, showed that bank lending slowed to 3.0% y/y from 3.2% y/y for the month of August, while the annualized q/q GDP for 2Q was revised down 0.2ppts to 2.9% on account of slower contribution from private consumption as well as business spending. Growth, is nonetheless a rebound from -2.4% q/q in 1Q, and will likely be supported by favourable consumption and export growth going forward.

#### **Still robust Vietnam economy albeit some moderation; Inflation eased below government's targeted 4%**

- Still robust data from Vietnam. Inflation eased sharper than expected to 3.5% y/y in August (prior: 4.4% y/y), its first time below official's target of 4.0% since March due to softer but volatile food prices. Core also eased slightly to 2.5% y/y from 2.6% y/y previously.
- Within the real economy, retail sales eased to +7.9% y/y (prior: 9.4% y/y) due to hotels and restaurants, while exports and IPI moderated to 14.5% y/y and 9.5% y/y respectively (prior: 19.1% and 11.2% y/y), the latter due to a deceleration in growth for manufacturing.
- As it is, the economic outlook for Vietnam for the rest of 2024 and into 2025-26 remains positive, supported by moderate growth for its manufactured exports and tourism, as well as recovery in consumer spending and investment. The World Bank expects Vietnam to meet the Government's target growth at 6.1% in 2024, strengthening further to 6.5% in 2025 and 2026.

#### **Malaysia's foreign reserves rose further in 2H of August**

- Foreign reserves continued to gather momentum in 2H of August and increased by \$0.9bn to \$116.8bn at end-month (1H: +\$1.2bn). The reserves

position is sufficient to finance 5.4 months of imports of goods and services and is 1.0 times of the total short-term external debt.

### 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	141-146	145	143	140	137
AUD/USD	0.66-0.69	0.66	0.66	0.67	0.68
USD/MYR	4.31-4.38	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
9-Sep	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
10-Sep	US Consumer Credit (Jul)	\$8.934b
	AU Westpac Consumer Conf Index (Sep)	85
	AU NAB Business Conditions (Aug)	6
	MA Manufacturing Sales Value YoY (Jul)	5.90%
	MA Industrial Production YoY (Jul)	5.00%
	UK Weekly Earnings ex Bonus 3M/YoY (Jul)	5.40%
	UK ILO Unemployment Rate 3Mths (Jul)	4.20%
	US NFIB Small Business Optimism (Aug)	93.7
	CH Exports YoY (Aug)	7.00%

Source: Bloomberg

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