

Global Markets Research
Daily Market Highlights

11 Sep: All eyes on US presidential debate and US CPI

Equities traded mixed ahead of Trump-Harris first presidential debate and US CPI

Global bond yields fell; USD traded mixed; MYR led gains in regional FX

Brent crude slipped below \$70/ barrel; OPEC cut demand outlook; big miss in China imports

- US markets were largely in a cautious mode ahead of key event risks including Trump-Harris first presidential debate and US CPI, the last key data print ahead of next week's FOMC meeting, where we and markets largely expect a 25bps cut although chatters of a bigger cut remained live on expectations by some that the Fed may want to frontload its rate cuts, which seems unlikely in our view.
- The three major benchmark US stock indices settled the day mixed. The Dow fell 0.2% d/d dragged by banking stocks amid profit warnings from JP Morgan (lower net interest income) and Goldman Sachs (lower trading income). On the contrary, the broader S&P500 and NASDAQ closed 0.5-0.8% higher on the day, led by tech shares. Tesla's shares surged 4.6% d/d on strong China sales. Small-cap Russell 2000 closed in the red but off the day's low. European equities closed generally in the red with the Stoxx Eur 600 and FTSE100 losing 0.5% and 0.8% d/d respectively. On the contrary, Asian stock indices largely ended higher but futures are pointing to lower openings this morning as risk-off sentiments take center stage ahead of Trump-Harris debate this morning.
- Global bond markets traded in a biddish tone by and large as investors' preference for safety prevailed amid uncertainties from US event risks. UST yields fell 4-8bps across the curve led by the front end. 2-year note yields shed 8bps to 3.59% while the 10s lost 6bps to 3.64%, bull steepening the curve. 10-year European sovereign bond yields also lost between 3-4bps generally while the Asian bond markets saw mixed trading.
- In the FX space, the US Dollar traded mixed against the majors and regional currencies. It weakened the most against the JPY (-0.5% d/d to 142.44) and CHF (-0.3% to 0.8470) but strengthened against the CAD, DKK, EUR, AUD and NOK. The Dollar Index closed relatively flat (+0.05%) at 101.66 after a rangetrading day between 101.54-101.77. Despite a relatively firm USD during Asian trading hours, the MYR regained lost ground and strengthened through the day to finish the day off with a 0.7% gain at 4.3422 as at Tuesday's close. Further pick-up in Malaysia IPI lent further support to the MYR in the afternoon trading session. The MYR advanced against all G10s and major regional peers.
- On the commodity front, crude oil prices plunged over 3.0% d/d to \$66.31/ barrel (WTI) and \$69.71/ barrel (Brent), dampened by a cut in demand outlook by OPEC, as well as heightened concerns over weak China demand following the release of a big miss in its imports numbers yesterday. Brent fell below the \$70/ barrel level for the first time since Dec 2021, also marked its lowest level since.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	40,736.96	-0.23
S&P 500	5,495.52	0.45
NASDAQ	17,025.88	0.84
Stoxx Eur 600	507.95	-0.54
FTSE 100	8,205.98	-0.78
Nikkei 225	36,159.16	-0.16
CSI 300	3,195.76	0.09
Hang Seng	17,234.09	0.22
Straits Times	3,512.67	0.46
KLCI 30	1,660.35	0.54
FX		
Dollar Index	101.66	0.05
EUR/USD	1.1020	-0.14
GBP/USD	1.3080	0.05
USD/JPY	142.44	-0.52
AUD/USD	0.6652	-0.14
USD/CNH	7.1356	0.22
USD/MYR	4.3422	-0.69
USD/SGD	1.3046	-0.09
Commodities		
WTI (\$/bbl)	66.31	-3.62
Brent (\$/bbl)	69.71	-3.06
Gold (\$/oz)	2,522.20	0.40
Copper (\$\$/MT)	9,019.00	-0.85
Aluminum(\$/MT)	2,342.00	-0.87
CPO (RM/tonne)	4,004.50	-0.04

Source: Bloomberg, HLBB Global Markets Research
* Dated as of 9 Sep for CPO

US small business optimism pulled back more than expected amid election uncertainties

- NFIB small business optimism softened more than expected to 91.2 in August (Jul: 93.7), its first pullback in five months to the lowest reading in three months. The uncertainty index rose to its highest in almost four years amid jitters in the run-up to US election and to a lesser extent, the Fed's imminent policy pivot. This was reflected in the lower percentage of firms reporting plan to hire (13% vs prior 15%), while the percentage of firms expecting a better economy fell further to -13% (prior -7%).

Cooling in the UK labour market

- Labour market cooled noticeably, with the number of payrolled employees defying expectations for a 25k gain and contracted 59k instead in August from a downwardly revised -6k in July. The number of claimant count also increased during the month, but this was partially distorted by the Department for Work and Pensions rolling out an increase in the administrative earnings threshold for full work search conditionality. Unemployment rate, nonetheless inched down to 4.1% from 4.2% as expected, while weekly earnings continued expanding albeit at a slower pace of 5.1% (prior: 5.4%), suggesting that BOE will likely remain cautious in its easing cycle.

Weaker consumer and business sentiment in Australia

- Both the consumer and business confidence weakened in Australia. The Westpac Consumer Index fell 0.5% m/m in September (Aug: +2.8% m/m) while the NAB Business Confidence Index turned negative again after expanding in the last two months to -4 in August (Jul: +1). The fall in the Westpac Consumer Index was plagued by concerns over the employment market, while the NAB business confidence was clearly below average, suggesting that the private sector has slowed and that household and businesses will be cautious in spending going forward. With this, we expect no change in the RBA cash rate for the rest of 2024.

Stronger than expected export growth for China; imports growth disappointed adding to signs of weak domestic demand

- In China, exports unexpectedly picked up to 8.7% y/y in August, while imports undershot expectations and grew a mere 0.5% y/y (prior: +7.0% y/y and +7.2% y/y), in line with the weak domestic demand for the economy. The jump in exports was partially driven by low base effects as well as exporters front-loading shipments before the tariff hikes by the US kicks in. This should provide a rare boost for the economy for the rest of 2024 but we remain uncertain if the momentum can persist next year.

Positive momentum in production and sales will help sustain 3Q growth for Malaysia

- Malaysia's Industrial Production Index (IPI) increased at a faster pace for the 2nd straight month by 5.3% y/y in July (Jun: +5.0% y/y), in line with both market as well as our expectations. Quicker growth in manufacturing production (+7.7% vs +5.2% y/y) as well as electricity output (+7.0% vs +3.5% y/y) were the main growth drivers. On the contrary, mining output contracted again (-5.0% vs +4.9% y/y), dragged by contractions in both crude oil (-4.4%) and natural gas (-5.4%).

- The wholesale & retail trade expanded at a faster pace again in July (+6.7% vs +5.4% y/y), proving last month's pullback as just a blip after four months of continuous uptrend. Quicker growth was seen in wholesale (+5.5% vs +4.0% y/y) and motor vehicles (+12.2% vs +2.0% y/y) sectors, offsetting the slower increase in retail trade (+6.4% vs +7.9% y/y). Not-in-stores/ stalls/ markets, fuel, and food & beverages continued to lead growth in retail sector while in the wholesale sector, growth was driven by machinery, equipment & supplies, household goods, and food & beverages.
- July indicators released thus far all suggest the positive growth traction in 2Q has spilled over to the beginning of 3Q, and in line with our expectation for positive growth outlook in the 2H24. We expect overall GDP growth to pick up to 5.8% in the second half of the year, from 5.1% in the first half of 2024, resulting in a 5.4% growth for the whole year. Signs of continued positive growth outlook and well-contained inflation will therefore allow BNM to stand pat on OPR and maintain an accommodative monetary policy stance to ensure growth and inflation stability.

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
11-Sep	UK Monthly GDP (3M/3M) (Jul)	0.90%
	US MBA Mortgage Applications	1.60%
	US CPI Ex Food and Energy YoY (Aug)	3.20%
	US Real Avg Weekly Earnings YoY (Aug)	0.40%
11-18 Sep	CH FDI YTD YoY CNY (Aug)	-29.60%
12-Sep	JN BSI Large All Industry QoQ (3Q)	0.4
	JN PPI YoY (Aug)	3.00%
	AU Consumer Inflation Expectation (Sep)	4.50%
	HK PPI YoY (2Q)	1.20%
	HK Industrial Production YoY (2Q)	1.80%
	EC ECB Main Refinancing Rate	4.25%
	US PPI Final Demand YoY (Aug)	2.20%
	US Initial Jobless Claims	227k

Source: Bloomberg

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