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Global Markets Research
Daily Market Highlights

11 Oct: Higher than expected US inflation and jobless claims

Bostic open to standing pat in next FOMC meeting; reaffirmed gradual rate cut bets
Treasuries closed mixed with the front-end outperforming; US and European equities fell
DXY surged post-CPI but narrowed gains; JPY strengthened amid hawkish BOJ speak

- The three major US equity indices retreated modestly by 0.1-0.2% d/d overnight after fresh economic data pointed to a higher-than-expected inflation rate. After the hot CPI, Atlanta Fed President Raphael Bostic also commented that he was open to cutting interest rates by 25bps or standing pat at November's rate meeting depending on how the economic outlook revolved. The data comes as concerns mount that the Federal Reserve may slow the pace of future cuts, and Fed funds futures suggest a 85% likelihood of a 25bps cut, up from 83% the prior day.
- European stock markets also closed lower with most sectors and major bourses in the red after US CPI topped forecasts. On the other hand, Asian stock indices gained ahead of the print, with China stocks resuming its rally after news that China's Finance Ministry will hold a press briefing this weekend which may provide additional insights or stimulus into fiscal policy and economic development. Futures signal that Asian equities are set for a mixed open today.
- In the bond market, the Treasury yield curve steepened with the front-end outperforming as the jump in jobless claims supported expectations for a 25bps rate cut in the next FOMC meeting. The 2Y yield fell 6bps to 3.96%, while the 2Y yield inched down 1bps to 4.06%. Trading in the European markets was mostly muted in the absence of key economic data, closing mixed between -7 to +3bps.
- The DXY rose to an intraday high of 103.18 following the CPI print before paring some of these gains to close the day 0.1% higher at 102.99. The Dollar closed mixed against its G10 peers, with EUR and GBP depreciating slightly by 0.1% d/d against USD, while JPY and AUD outperformed with 0.5% d/d and 0.3% d/d gain. JPY strengthened after BOJ Deputy Governor Ryozyo Himino said that he will support more rate hikes if the economy moves in line with bank projections, while the risk-sensitive AUD benefitted from the equity rally with its trading partner China. Regional currencies closed mixed against USD, with CNH and SGD strengthening 0.1% d/d against greenback, but MYR weakened 0.3% d/d to 4.2925.
- Oil prices jumped more than 3.5% d/d after the Middle East tension kept investors on edge. This comes after Israel's security cabinet planned to meet to discuss how to retaliate against Iran.

Higher than expected inflation rate for the US; jobless claims ticked up amid layoffs in the auto sector and distorted by Hurricane Milton

- September's inflation came slightly higher than expected, with headline easing less than expected to 2.4% y/y (prior: 2.5% y/y) while core unexpectedly ticked up to 3.3% y/y from 3.2% y/y previously. On a m/m basis,

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	42,454.12	-0.14
S&P 500	5,780.05	-0.21
NASDAQ	18,282.05	-0.05
Stoxx Eur 600	519.11	-0.18
FTSE 100	8,237.73	-0.07
Nikkei 225	39,380.89	0.26
CSI 300	3,997.79	1.06
Hang Seng	21,251.98	2.98
Straits Times	3,585.29	-0.29
KLCI 30	1,640.94	0.37
FX		
Dollar Index	102.99	0.06
EUR/USD	1.0934	-0.05
GBP/USD	1.3059	-0.09
USD/JPY	148.57	-0.50
AUD/USD	0.6739	0.31
USD/CNH	7.0849	-0.11
USD/MYR	4.2925	0.26
USD/SGD	1.3056	-0.11
Commodities		
WTI (\$/bbl)	75.85	3.56
Brent (\$/bbl)	79.40	3.68
Gold (\$/oz)	2,620.60	0.56
Copper (\$\$/MT)	9,723.00	0.50
Aluminum(\$/MT)	2,586.00	1.77
CPO (RM/tonne)	4,384.50	0.16

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

headline and core inflation were up 0.2% and 0.3% respectively, the latter marking the second month of 0.3% m/m gain, risking disinflation stalling and reaffirming the need for the Fed to tread cautiously in delivering its rate cuts going forward. Our base case remains 25bp rate cuts in November and December. While food and shelter contributed to the bulk of the monthly increase, we noted that shelter costs, the source of Fed's bane, eased sharply to 0.2% m/m from 0.5% m/m previously.

- On the labour front, real average weekly earnings remained strong at 0.9% y/y in September (prior: +1.0% m/m), while jobless claims surged more than expected to 258k for the week ended October 5 (prior: 225k). The uptick may have reflected impacts from layoffs in the auto sector as well as temporary distortions in states hit by Hurricane Milton.

Australia's inflation expectations eased to its 3-year low of 4.0%

- Inflation expectations eased to its 3-years low of 4.0% in October from 4.4% previously, suggesting that consumers expect moderation in inflation over the next 12 months and giving the leeway for the RBA to cut in 1Q of 2025.

House View and Forecasts

FX	This Week	4Q-24	1Q-24	2Q-25	3Q-25
DXY	100-104	101.56	100.54	99.53	99.04
EUR/USD	1.09-1.12	1.11	1.12	1.13	1.14
GBP/USD	1.29-1.33	1.33	1.35	1.36	1.37
USD/JPY	144-150	146	142	138	135
AUD/USD	0.67-0.70	0.68	0.69	0.70	0.71
USD/MYR	4.18-4.27	4.25	4.20	4.15	4.10
USD/SGD	1.28-1.32	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	3.50	3.25	3.00	2.75	2.50
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
11-Oct	MA Manufacturing Sales Value YoY (Aug)	9.10%
	MA Industrial Production YoY (Aug)	5.30%
	UK Monthly GDP (MoM) (Aug)	0.00%
	US PPI Ex Food and Energy YoY (Sep)	2.40%
	US U. of Mich. Sentiment (Oct P)	70.1
14-Oct	US NY Fed 1-Yr Inflation Expectations (Sep)	3.00%
	CH Exports YoY (Sep)	8.70%

Source: Bloomberg

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