

Global Markets Research
Daily Market Highlights

13 Sep: ECB cut policy rate and lowered GDP forecasts

ECB reiterated meeting-by-meeting approach; EUR gained on higher inflation forecasts

Tame US PPI despite higher m/m prints reaffirmed expectation for a 25bps cut

UST and European bond yields closed mostly higher; USD weakened against most G10s

- Appetite for global equity markets were positive overnight after the European Central Bank (ECB) cut its benchmark rates for the second time this year and as investors in Wall Street expect the Fed to follow suit next week by cutting 25bps. This comes after the wholesale prices in the US came slightly higher-than-expected, but this did not materially change market outlook for a 25bps rate cut next week. Led by Nasdaq, all the three US major equity indices were higher 0.6-1.0% d/d and gains were broad-based. Stock wise, Magnificent Seven shares mostly gained, but Moderna shares sank more than 12% d/d after announcing plans to cut its R&D expenses and Wells Fargo shares tumbled after regulators sought fixes to its money-laundering controls.
- In Europe, the ECB rate cut boosted sentiment for European equities and sent Stoxx Eur 600 0.8% d/d higher. Most sectors rose during the day, led by tech and mining stocks. Similarly, Asian markets closed mostly in green and are expected to extend their upward trend following Wall Street and futures.
- In the Treasury market, yields closed mostly higher in tune to 2-3bps following the uptick in US producer prices (PPI). While the benchmark 2Y yield closed just below the flatline at 3.64%, the 10Y rose 2bps to 3.67%. In Europe, German bund yields closed up 3-7bps across the curve after ECB's decision. Yields to the 10Y sovereign bonds for the rest of Europe were up 1-4bps.
- In the forex space, DXY closed 0.3% d/d lower at 101.37 and the Dollar weakened against most of its G10 peers save for the CAD. Leading gains against the Dollar were NOK, SEK and NZD, while EUR appreciated 0.6% d/d to 1.1074 after ECB delivered the expected rate cut and upgraded inflation forecasts. Regional currencies closed mixed against greenback, with SGD and CNH appreciating 0.1-0.2% d/d but MYR weakened 0.1% d/d to 4.3350.
- Oil prices finished up 1.9-2.5% d/d for the second day as Hurricane Francine led to disruptions in US oil and gas production in the Gulf of Mexico.

ECB cut policy rates and lowered growth forecasts

- As widely anticipated, the ECB delivered a 25bps cut in its deposit rate to 3.50%. In tandem with this, the interest rates on the main refinancing operations and the marginal lending facility will be lowered to 3.65% and 3.90% respectively and these changes will take effect from 18 September. (As announced in March following the operational framework review, the spread between the interest rate on the main refinancing operations and the deposit facility rate will be set at 15bps).
- Key highlights from the statement and press conference include: 1) ECB lowered its GDP forecasts by 0.1ppt across the board to 0.8% in 2024, 1.3% in 2025 and 1.5% in 2026 owing to weaker-than-expected domestic demand. 2) ECB maintained its headline CPI forecasts for 2024, 2025 and 2026 at 2.5%,

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	41,096.77	0.58
S&P 500	5,595.76	0.75
NASDAQ	17,569.68	1.00
Stoxx Eur 600	512.08	0.80
FTSE 100	8,240.97	0.57
Nikkei 225	36,833.27	3.41
CSI 300	3,172.48	-0.43
Hang Seng	17,240.39	0.77
Straits Times	3,556.53	0.72
KLCI 30	1,638.31	-0.09
FX		
Dollar Index	101.37	-0.31
EUR/USD	1.1074	0.56
GBP/USD	1.3124	0.62
USD/JPY	141.82	-0.38
AUD/USD	0.6722	0.72
USD/CNH	7.1190	-0.14
USD/MYR	4.3350	0.12
USD/SGD	1.3013	-0.21
Commodities		
WTI (\$/bbl)	68.97	2.47
Brent (\$/bbl)	71.97	1.93
Gold (\$/oz)	2,557.10	1.51
Copper (\$\$/MT)	9,215.50	1.38
Aluminum(\$/MT)	2,415.50	1.90
CPO (RM/tonne)	4,020.50	0.29

Source: Bloomberg, HLBB Global Markets Research

* Dated as of 11 Sep for CPO

2.2% and 1.9% respectively. However, core inflation forecasts have been revised slightly up to 2.9% this year, 2.3% in 2025 and 2.0% in 2026, driven by higher-than-expected services inflation and as wages are still rising at an elevated pace. 3) The central bank maintained its stance of returning inflation to its 2% medium-term target in a timely manner and offered no clues as to what will follow next. ECB President Christine Lagarde and the statement reiterated their stance that the ECB “is not pre-committing to a particular rate path” while reaffirming the need to take a data-dependent and meeting-by-meeting approach. Economists remained split over whether policymakers will look to pause or cut when they meet again in October, but have pencilled in a 25-50bps rate cut by end-2024.

Slight pick-up US producer prices and jobless claims

- Both headline and core PPI came above forecasts in July, largely driven by downward revisions in its previous month’s numbers. Headline PPI rose by 0.2% m/m and 1.7% y/y (prior: 0 and +2.1% y/y), while core picked up pace to +0.3% m/m and +2.4% y/y (prior: -0.2% mm and +2.3% y/y). The uptick m/m was mainly driven by a 0.4% m/m jump in services, notably guestroom rental, while prices of goods were unchanged m/m. As it is, the uptick in PPI largely mirrored CPI which showed that underlying inflation has accelerated during the month, but components feeding into the PCE calculation were largely muted and should provide enough encouragement for the Fed that inflation has been tamed. Because of this, we reiterate our view that an aggressive rate cut by the Fed next week remains unlikely and we are only pencilling in a 25bps rate cut in the FOMC meeting next week.
- Meanwhile on the labour front, jobless claims ticked up for the first time in 3 weeks and by more than expected to 230k for the week ended September 7 (+2k vs -4k), while continuing claims increased 5k to 1850k the week prior (Aug 24: -15k). As it is, claims data are prone to fluctuations around holidays (Labour Day), but clearly point to a labour market that shows still subdued layoffs and slower hiring.

Australia’s consumer inflation expectations eased slightly

- Consumer inflation expectations eased slightly by 0.1ppts to 4.4% in September, suggesting that consumers are anticipating a moderation in inflation over the next 12 months and paving way for the RBA to cut rates to support the economy, if needed, next year.

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	3.50	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
13-Sep	UK BoE/Ipsos Inflation Next 12 Mths (Aug)	2.80%
	EC Industrial Production WDA YoY (Jul)	-3.90%
	US Import Price Index YoY (Aug)	1.60%
	US U. of Mich. Sentiment (Sep P)	67.9
16-Sep	EC Trade Balance NSA (Jul)	22.3b
	EC Labour Costs YoY (2Q)	5.10%
	US Empire Manufacturing (Sep)	-4.7

Source: Bloomberg

Hong Leong Bank Berhad

Fixed Income & Economic Research, Global Markets
 Level 8, Hong Leong Tower
 6, Jalan Damanlela
 Bukit Damansara
 50490 Kuala Lumpur
 Tel: 603-2081 1221
 Fax: 603-2081 8936

HLMarkets@hlbb.hongleong.com.my

DISCLAIMER

This report is for information purposes only and does not take into account the investment objectives, financial situation or particular needs of any particular recipient. The information contained herein does not constitute the provision of investment advice and is not intended as an offer or solicitation with respect to the purchase or sale of any of the financial instruments mentioned in this report and will not form the basis or a part of any contract or commitment whatsoever.

The information contained in this publication is derived from data obtained from sources believed by Hong Leong Bank Berhad ("HLBB") to be reliable and in good faith, but no warranties or guarantees, representations are made by HLBB with regard to the accuracy, completeness or suitability of the data. Any opinions expressed reflect the current judgment of the authors of the report and do not necessarily represent the opinion of HLBB or any of the companies within the Hong Leong Bank Group ("HLB Group"). The opinions reflected herein may change without notice and the opinions do not necessarily correspond to the opinions of HLBB. HLBB does not have an obligation to amend, modify or update this report or to otherwise notify a reader or recipient thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

HLB Group, their directors, employees and representatives do not have any responsibility or liability to any person or recipient (whether by reason of negligence, negligent misstatement or otherwise) arising from any statement, opinion or information, expressed or implied, arising out of, contained in or derived from or omission from the reports or matter.

Potential and actual conflict of interest may arise from the activities of HLB Group. HLB Group constitute a diversified financial services group. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, hedging transactions and other activities for their own account or the account of others. In the ordinary course of their business, HLB Group may effect transactions for their own account or for the account of their customers and hold long or short positions in the financial instruments. HLB Group, in connection with its business activities, may possess or acquire material information about the financial instruments. Such activities and information may involve or have an effect on the financial instruments. HLB Group have no obligation to disclose such information about the financial instruments or their activities.

The past performance of financial instruments is not indicative of future results. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Any projections or forecasts mentioned in this report may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information. No assurance can be given that any opinion described herein would yield favourable investment results. Recipients who are not market professional or institutional investor customer of HLBB should seek the advice of their independent financial advisor prior to taking any investment decision based on the recommendations in this report.

HLBB may provide hyperlinks to websites of entities mentioned in this report, however the inclusion of a link does not imply that HLBB endorses, recommends or approves any material on the linked page or accessible from it. Such linked websites are accessed entirely at your own risk. HLBB does not accept responsibility whatsoever for any such material, nor for consequences of its use.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. This report is for the use of the addressees only and may not be redistributed, reproduced or passed on to any other person or published, in part or in whole, for any purpose, without the prior, written consent of HLBB. The manner of distributing this report may be restricted by law or regulation in certain countries. Persons into whose possession this report may come are required to inform themselves about and to observe such restrictions. By accepting this report, a recipient hereof agrees to be bound by the foregoing limitations.