15 July 2024

Global Markets Research

Daily Market Highlights

15 July: All eyes on China's GDP today following sluggish economic prints

Markets are expecting China's economy to moderate to 5.0%; CNH weakened ahead of the GDP print
US equities rose amidst disappointing banking results/outlook; UST yields, DXY sank despite uptick in PPI
Malaysia's IPI growth softened to 2.4% y/y in May; slower gains in domestic-oriented sectors

- It was a buoyant finish to Wall Street last Friday, with all the 3 major indices closing up around 0.6% d/d each. Investors were largely comforted that the Fed is on track to start lowering rates in 2H after the slightly dovish Fed Chair Jerome Powell's testimony to the Senate Banking Committee and monthly decline in CPI, although the hotter than expected PPI print released jolted markets briefly. Technology stocks saw a rebound after the prior day's sell-off, but on a downbeat note, investors were not happy with the first slate of earnings from big banks. Shares of JP Morgan Chase fell 1.2% d/d after posting lower profits, Wells Fargo tumbled 6.0% d/d after dimming its outlook, while Citigroup shares plunged 1.8% d/d after setting more provisions for potential losses in credit card businesses.
- European equities were equally buoyant, with Stoxx 600 0.9% d/d higher and almost all sectors closing in the green led by consumer, technology and retailer stocks. Asia markets closed mixed, with Nikkei 225 retreating from its all-time high.
- The 2- and 10Y Treasury yields fell to its lowest since March, with the 2Y sliding 6bps to 4.45%, while the 10 dipped 3bps to 4.18%. In contrary, 10Y European bond yields rose in tune to 1-4bps save the Norwegian and Swedish bonds
- DXY sank 0.3% d/d to 104.09 alongside the UST yields and the Dollar weakened against all its G10 peers save CAD and SEK. JPY (+0.6% d/d) led gains against USD in choppy trade, on possible intervention from the Bank of Japan. Currency diplomat Masato Kanda, nonetheless, remains coy on whether authorities had done so. Asian currencies closed mixed against the Dollar, with investors largely shrugging off the economic prints released on the Singapore and Malaysia front. SGD and MYR appreciated 0.1-0.3% d/d to 1.3409 and 4.6715 respectively.
- Oil prices fell in between 0.4-0.5% d/d on progress of cease-fire talk between Israel and Hamas, which eclipsed signs of higher US crude demand that had largely propped up prices earlier in the week.

Slightly elevated US PPI, consumer sentiment unexpectedly dipped

- Producer prices (PPI) increased slightly more than expected in June (+2.6% y/y and +0.2% m/m vs +2.4% y/y and 0.0%) amid a rise in the cost of services (+0.6% m/m vs +0.3% m/m), which more than offset the decline in goods (-0.5% m/m vs -0.8% m/m). Nearly all the increase in services costs was attributable to a 1.9% m/m jump in margins for wholesalers and retailers, while the decline for goods was due to 2.6% m/m drop for energy. Categories in the PPI that are used to calculate PCE, were mixed. The uptick followed the first m/m decline in CPI since the onset of the pandemic, and thus, does not suggest that the price pressures on the factory floors are spilling over to CPI

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	40,000.90	0.62
S&P 500	5,615.35	0.55
NASDAQ	18,398.45	0.63
Stoxx Eur 600	524.08	0.88
FTSE 100	8,252.91	0.36
Nikkei 225	41,190.68	-2.45
CSI 300	3,472.40	0.12
Hang Seng	18,293.38	2.59
Straits Times	3,497.78	0.65
KLCI 30	1,619.06	-0.25
FX		
Dollar Index	104.09	-0.33
EUR/USD	1.0907	0.36
GBP/USD	1.2988	0.57
USD/JPY	157.83	-0.64
AUD/USD	0.6784	0.37
USD/CNH	7.2723	0.06
USD/MYR	4.6715	-0.34
USD/SGD	1.3409	-0.14
Commodities		
WTI ($/bbl)	82.21	-0.50
Brent ($/bbl)	85.03	-0.43
Gold ($/oz)	2,420.70	-0.05
Copper ($$/MT)	9,877.00	0.92
Aluminum($/MT)	2,481.00	0.18
CPO (RM/tonne)	4,000.50	0.49

Source: Bloomberg, HLBB Global Markets Research
** Dated as of 11 July for CPO*

nor change expectations that the Fed could start lowering rates later this year.

- Meanwhile, the University of Michigan Consumer Sentiment index unexpectedly weakened to 66.0 in July (June: 68.2), as sentiment remains stubbornly subdued, dampened by elevated prices, even as consumers expect inflation to continue moderating ahead, as well as uncertainty in the trajectory of the economy post-election. Both the year-ahead and long-run inflation expectations eased to 2.9% during the month, easing from 3.0% y/y previously.

UK registered its first monthly decline in home prices this year

- Data this morning showed that July's Rightmove House Price Index fell m/m for the first time in 2024 (-0.4% m/m vs 0.0%) and y/y prices decelerated to +0.4% from +0.6% previously. While home prices were weighed down by high mortgage rates, and possibly other political and sporting distractions which could have held back potential purchasers, the momentum is expected to build-up later in the year on expectations of a base rate cut and lower mortgage rates which could boost affordability, barring any shocks in policy changes with the change in Government.

China's 2Q GDP expected to moderate to 5.0% amidst sluggish data

- A slew of sluggish June data that suggests a softer end to 1H, still strong headwinds to the economy and an urgent need for fiscal support. While the brisk export growth flagged upside risks to growth in 2Q (Consensus: 5.0% y/y vs 1Q: 5.3% y/y), it also raises concerns of rising trade tensions with its biggest trade partners which will undermine economic recovery going forward and a lacklustre domestic demand that may be unable to take up the baton to growth if need to.
- FDI into China fell for the 13th month and dropped 29.1% y/y YTD, worse than -28.2% y/y for the Jan-May period, underscoring Beijing's struggle to improve its appeal to overseas investors to boost growth, while new aggregate financing remained below expectations at 18.1tn yuan (Jan-May: 14.8nt yuan). China's imports also unexpectedly fell 2.3% y/y in June, although exports rose more than expected by 8.6% y/y to its highest in almost 2 years, driven by shipments of tech goods and cars (May: +1.8% y/y and 7.6% y/y).

Malaysia's IPI growth softened to 2.4% y/y in May; slower gains in domestic-oriented sectors

- IPI pulled back again to increase at a slower than expected pace of 2.4% y/y in May (Apr: +6.1% y/y), on the back of softer gains in manufacturing (+4.6% vs +4.9% y/y) and electricity (+4.2% vs +7.6% y/y) while mining output contracted again (-6.9% vs +10.0% y/y) for the first time in eight months, no thanks to renewed declines in both crude oil (-1.9% y/y) and natural gas (-10.3% y/y). Most manufacturing subsectors recorded slower growth, most notably from the domestic-oriented sectors (+6.4% vs +9.5% y/y) while the export-oriented sectors continued to see firmer traction for the 3rd straight month, increasing 3.7% y/y in May (Apr: +2.6% y/y), its best in 15 months led by a commendable rebound in E&E (+6.9% vs -0.8% y/y), specifically in computer electronics & optical products. Tracking the slower increase in IPI, manufacturing sales also grew at a slower, but still decent pace of 5.5% y/y in May (Apr: +5.7%). Labour market indicators in the manufacturing sector also remained healthy, with a 1.1% y/y increase in salaries and wages and 0.9% y/y growth in the number of employed.

- Looking ahead, we remain cautiously optimistic that the Malaysian economy would continue to expand at a moderate pace for the rest of the year, bringing full year GDP growth closer to the upper end of the official forecast range of 4-5%, at 4.9% for the whole of 2024. Recovery momentum has remained positive thus far, underpinned by anticipated expansion in both the domestic and external sectors. In addition to the upswing in the global tech cycle, a resilient US economy, uneven growth in China, as well as sustained growth outlook in the region benefitting from sustained domestic demand and trade diversion and production relocation, will all bode well for Malaysian growth prospects going forward.

House View and Forecasts

FX	This Week	3Q-24	4Q-24	1Q-25	2Q-25
DXY	103-106	104.28	102.71	101.69	100.67
EUR/USD	1.07-1.10	1.08	1.09	1.08	1.06
GBP/USD	1.27-1.31	1.28	1.29	1.28	1.28
USD/JPY	156-161	158	155	151	148
AUD/USD	0.66-0.69	0.67	0.68	0.69	0.69
USD/MYR	4.64-4.70	4.66	4.60	4.54	4.50
USD/SGD	1.33-1.36	1.34	1.33	1.32	1.30

Rates, %	Current	3Q-24	4Q-24	1Q-25	2Q-25
Fed	5.25-5.50	5.25-5.50	5.00-5.25	4.75.-5.00	4.50-4.75
ECB	3.75	3.50	3.25	3.00	2.75
BOE	5.25	5.00	4.75	4.50	4.25
BOJ	0 - 0.10	0.10-0.20	0.10- 0.20	0.20- 0.30	0.20-0.30
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
15-Jul	CH 1-Yr Medium-Term Lending Facility Rate	2.50%
	CH New Home Prices MoM (Jun)	-0.71%
	CH GDP YoY (2Q)	5.30%
	CH Industrial Production YTD YoY (Jun)	6.20%
	CH Retail Sales YTD YoY (Jun)	4.10%
	CH Fixed Assets Ex Rural YTD YoY (Jun)	4.00%
	CH Surveyed Jobless Rate (Jun)	5.00%
	EC Industrial Production SA MoM (May)	-0.10%
	US Empire Manufacturing (Jul)	-6
16-Jul	EC ZEW Survey Expectations (Jul)	51.3
	EC Trade Balance SA (May)	19.4b
	US New York Fed Services Business Activity (Jul)	-4.7
	US Retail Sales Advance MoM (Jun)	0.10%
	US Import Price Index YoY (Jun)	1.10%
	US NAHB Housing Market Index (Jul)	43

Source: Bloomberg

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