

18 July 2024

Global Markets Research
Daily Market Highlights
18 July: All eyes on the ECB and labour data from the majors today
Biden and Trump comments sparked a sell-off in global chip stocks and equity markets
DXY slumped amidst a rally in JPY; concerns that Trump may push back against strong USD if re-elected
GBP/USD broke above 1.30 amidst stubborn services costs; headline CPI unexpectedly held steady at 2.0%

- Global chip stocks fell sharply with ASML, Nvidia and TSMC hit by reports of tighter export restrictions from the US and a ramping up of geopolitical tensions. This comes after reports that the Biden administration is considering a wide-sweeping rule to clamp down on companies exporting chipmaking equipment to China, while presidential candidate Donald Trump said that Taiwan should pay the US for defense.
- Mirroring recent trends, Wednesday's move was also a part of the rotational play out of high-flying technology shares and into smaller cap stocks in the US, sending S&P 500 and Nasdaq tumbling between 1.4-2.8% d/d. Stoxx Eur 600 also closed 0.5% d/d lower in Europe, while Asian markets traded mixed, with Australia's S&P/ASX 200 touching an all-time high.
- Treasuries slumped in a bear flattener. The 2Y yield edged up slightly by 2bps to 4.44%, while the 10Y closed flattish at 4.16%. 10Y European bond yields closed mixed between -1 to +3bps.
- In the forex market, DXY plunged 0.5% d/d to its lowest level since May at 103.75, and all the G10 currencies appreciated against the Dollar save for the CAD and AUD (-0.1% d/d). The slump in the USD was driven by the sharp rally in JPY overnight (+1.4% d/d to 156.20) amidst intervention talks, and after Trump flagged concerns that the strong USD is hurting competitiveness of US exports. He also pointed to weakness in the yen and yuan, thus raising concerns that Trump will push back against a strong Dollar if he is re-elected in November. GBP also rallied 0.3% d/d to 1.3009 amidst expectations that the BOE will keep its policy rates unchanged in August after its elevated services inflation reading. Regional currencies also strengthened against the Dollar, with CNH, MYR and SGD appreciating by 0.2-0.3% d/d. The trio closed at 7.2720, 4.6642 and 1.3405 respectively.
- In the commodity markets, crude oil prices recouped some of its recent losses and closed 1.6-2.6% d/d higher after an Energy Information Administration report showing that US oil inventories shrank by 4.9m barrels last week.

The US economy grew at a slight to modest pace, according to Beige Book

- Key highlights to the latest Beige Book include: 1) The economy grew at a slight to modest pace for the majority of the regions, 7 reported improvements and 5 noted flat or declining growth, up from 2 previously. 2) Wages grew at a modest to moderate pace, while prices increased modestly. However, tight capacity in ocean shipping has led to a surge in spot rates, and could potentially keep prices elevated. 3) Household spending was little changed, with auto sales weighed down by the cyberattack on dealerships and high interest rates, and most districts

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	41,198.08	0.59
S&P 500	5,588.27	-1.39
NASDAQ	17,996.92	-2.77
Stoxx Eur 600	514.83	-0.48
FTSE 100	8,187.46	0.28
Nikkei 225	41,097.69	-0.43
CSI 300	3,501.58	0.09
Hang Seng	17,739.41	0.06
Straits Times	3,489.57	0.05
KLCI 30	1,633.54	0.47
FX		
Dollar Index	103.75	-0.50
EUR/USD	1.0939	0.37
GBP/USD	1.3009	0.27
USD/JPY	156.20	-1.36
AUD/USD	0.6729	-0.07
USD/CNH	7.2720	-0.23
USD/MYR	4.6642	-0.27
USD/SGD	1.3405	-0.28
Commodities		
WTI (\$/bbl)	82.85	2.59
Brent (\$/bbl)	85.08	1.61
Gold (\$/oz)	2,459.90	-0.32
Copper (\$\$/MT)	9,635.00	-0.29
Aluminum(\$/MT)	2,402.00	-0.17
CPO (RM/tonne)	3,986.00	0.71

Source: Bloomberg, HLBB Global Markets Research

* Dated as of 16 July for CPO

reporting softer consumer loans. 5) Expectations are for slower growth over the next 6 months due to uncertainty from the upcoming election, domestic policy, geopolitical conflict, and inflation.

- The Beige Book also highlighted disparate trends in the manufacturing sector, ranging from brisk downturn to moderate growth, while real estate reports on the residential and commercial markets varied but with only slight changes as compared to before. For the manufacturing sector, data overnight, in fact, showed that June's industrial output posted continued albeit softer gains (+0.6% m/m vs 0.9% m/m) for the second month and was better than expected due to the manufacturing sector (+0.4% m/m vs +1.0% m/m), and with most major market groups logging gains. Data from the housing sector was also positive, with housing starts and building permits rebounding more than expected by 3.0% m/m and 3.4% m/m (May: -4.6% m/m and -2.8% m/m) while mortgage applications also turnaround and expand by 3.9% w/w for the week ended July 12 (Prior: -0.2% m/m).

UK's sticky services costs kept inflation elevated

- UK inflation unexpectedly held steady at BOE's preferred target of 2.0% for the second month in June, but stubborn services costs (5.7% y/y) cast doubts on whether the central bank will cut in August. The sticky services costs also saw core-CPI defying expectations to ease and held steady at 3.5% y/y instead, with the elevated prices driven by hotel, partially due to the Taylor Swift's Eras tour, which offset the disinflation for clothing and footwear due to discounts and sales. Separate data also showed that PPI (output) unexpectedly eased to 1.4% y/y (May: +1.7% y/y) while home prices, using the House Price Index as a gauge, accelerated to +2.2% y/y from +1.3% y/y previously.
- We will be watching closely for the labour print today, as minutes of the latest MPC suggests that the decision between hold and cut was "finely balanced." Meanwhile, recent comments from BOE's Chief Economist Huw Pill didn't flag eagerness to cut amidst lingering inflation forces in the labour markets and services, the former due to a tight labour market and large increases in the minimum wage. With this, the OIS is pencilling a miss in rate cut in the August meeting, but a 59% probability of 2 rate cuts by end 2024.

Leading index in Australia remains subdued but stable

- In Australia, the Westpac Leading Index was subdued and flat for the second month in June, painting a picture of stability but lacklustre growth momentum in 2H of 2024 and into early 2025. During the month, commodity prices weakened significantly, but this was partially offset by stabilising in monthly hours worked.

Japan's exports continued to expand, but at a slower pace

- Exports expanded for the seventh consecutive month, but slowed more than expected to +5.4% y/y in June (May: +13.5% y/y). As it is, demand for Japanese goods have largely been supported by a weak yen in recent months as well as strong demand for both chips and auto, in line with views that the 2Q GDP will rebound from its contraction earlier in the year.

Singapore's NODX fell on both non-electronics and electronics, the latter due to high base

- Non-oil domestic exports (NODX) came worse than expected, falling 8.7% y/y and 0.4% m/m in June (May: -0.7% y/y and -0.7% m/m). The deeper y/y

contraction was mainly due to non-electronics like the non-monetary gold, specialised machinery and food preparations, while electronics exports (-9.5% y/y vs +19.6% y/y) fell due to high-base effect. NODX to the top markets as a whole declined, led by US, Hong Kong and China but rose for Malaysia, Thailand, Eurozone and Indonesia.

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
18-Jul	AU Unemployment Rate (Jun)	4.00%
	MA Exports YoY (Jun)	7.30%
	UK ILO Unemployment Rate 3Mths (May)	4.40%
	HK Unemployment Rate SA (Jun)	3.00%
	EC ECB Main Refinancing Rate	4.25%
	US Initial Jobless Claims	222k
	US Philadelphia Fed Business Outlook (Jul)	1.3
19-Jul	US Leading Index (Jun)	-0.50%
	UK GfK Consumer Confidence (Jul)	-14
	JN Natl CPI YoY (Jun)	2.80%
	MA GDP YoY (2Q A)	4.20%
	UK Retail Sales Inc Auto Fuel MoM (Jun)	2.90%

Source: Bloomberg

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