18 November 2024

Global Markets Research

Daily Market Highlights

18 Nov: Broad deceleration in 3Q GDP growth

UK's 3Q GDP slowed to 0.1% q/q; Hong Kong's to +1.8% y/y; Malaysia's to 5.3% y/y

US retail sales, IPI beat forecasts; import prices increased; traders divided on Dec rate cut

Malaysia removed from US currency watchlist; BNM liberalised FEP for MDB & foreign DFI

- Stocks tumbled last Friday as the post-election rally fizzled out amid profit taking and as investors fretted over Tump 2.0 policy measures. The Dow lost 0.7% d/d, while S&P 500 and Nasdaq slid 1.3% d/d and 2.2% d/d. By sector, shares of major drugmakers like Moderna and Prizer took a hit after Trump nominated vaccine skeptic Robert F. Kennedy Jr. to lead the Department of Health and Human Services. The information technology sector also lagged on disappointing outlook from Applied Materials.
- Elsewhere, European and Asian markets closed mostly in the red, the former also due to healthcare stocks, while the latter was underpinned by mixed economic data from China. With this, Asian stocks are set for a soft start today following futures as well as tracking the US.
- In the Treasuries market, yields closed mixed bewteen -4 to +3bps. The 2Y yield closed 4bps lower at 4.30%, but the 10Y inched up by less than 1bps to 4.44%. Trading in the European bond markets was muted, with yields closing mixed between -1 to +2bps.
- In the forex space, DXY traded within a narrow range of 106.33-106.96 and closed just above the flatline at 106.69. All G10 currencies outperformed the Dollar save for the CAD and GBP (-0.4% d/d). The sterling was weighed down by its 3Q GDP miss that showed a sharper than expected deceleration. JPY (1.3% d/d) led gains against the Dollar after its Finance Minister Katsunobu Kato said that officials are monitoring the FX market with higher sense of urgency, raising intervention risks.
- Regional currencies also outperformed the Dollar. CNH, MYR and SGD appreciated in tune to 0.2-0.3% d/d against the Dollar to close at 7.2370, 4.4748 and 1.3420 respectively. ***Today, we expect sentiment for MYR to get a relief boost after Malaysia was removed from the US currency watch list and following the liberalisation of foreign exchange policies for Multilateral Development Banks (MDB) and qualified non-resident Development Financial Institutions (DFI) by BNM.*** The liberalisation will allow MDBs and foreign DFIs to issue Ringgit-denominated debt securities to be used in Malaysia, as well as provide Ringgit financing to resident entities for their investment in key growth areas in Malaysia, such as E&E, technology adoption, and data centers.
- In the commodities market, crude oil prices snapped their winning streaks (WTI: -2.5% d/d, Brent: -2.1% d/d), on expectations of Russia-Ukraine de-escalation, while a stronger USD and expectations of looming inventory surplus also weighed on prices. However, it should be noted that Russia hit Ukraine's power grid over the weekend and US President Biden has given the nod for Ukraine to retaliate with long-range missile attacks.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	43,444.99	-0.70
S&P 500	5,870.62	-1.32
NASDAQ	18,680.12	-2.24
Stoxx Eur 600	503.12	-0.77
FTSE 100	8,063.61	-0.09
Nikkei 225	38,642.91	0.28
CSI 300	3,968.83	-1.75
Hang Seng	19,426.34	-0.05
Straits Times	3,744.70	0.17
KLCI 30	1,592.44	-0.51
FX		
Dollar Index	106.69	0.01
EUR/USD	1.0540	0.09
GBP/USD	1.2618	-0.38
USD/JPY	154.30	-1.26
AUD/USD	0.6462	0.12
USD/CNH	7.2370	-0.23
USD/MYR	4.4748	-0.24
USD/SGD	1.3420	-0.31
Commodities		
WTI ($/bbl)	67.02	-2.45
Brent ($/bbl)	71.04	-2.09
Gold ($/oz)	2,570.10	-0.11
Copper ($$/MT)	9,002.50	0.14
Aluminum($/MT)	2,649.50	5.29
CPO (RM/tonne)	5,077.50	0.27

Source: Bloomberg, HLBB Global Markets Research
**CPO dated as of 14 November*

Retail sales and IPI beat forecasts in the US; import prices unexpectedly increased

- Retail sales rose at a faster than expected pace by +0.4% m/m in October while prior month's data was revised up a whopping 0.4ppts to 0.8% m/m. Largely supporting sales during the month was the jump in auto demand, while eight of the thirteen categories, including electronics, reported increased sales albeit with some signs of softening momentum. All in, the data suggests a still solid consumer sector and is expected to stay robust for the rest of 2024 supported by festive spending, lower gasoline prices, resilient income growth and healthy labour market conditions.
- Similarly, the manufacturing sector also outperformed expectations although remained sluggish overall and weighed down by industrial strikes and hurricane disruptions. Industrial output (IPI) fell a shade less than expected by 0.3% m/m in October, following the downwardly revised 0.5% m/m drop the prior month. Underlying the weakness was another sharp 5.8% m/m fall in aerospace production as the machinists strike at Boeing continued throughout the month. This is estimated to have cut IPI growth by 0.3ppts in September and 0.2ppts in October, while Hurricane Milton and the lingering effects of Hurricane Helene are expected to have reduced October's IPI growth by 0.1ppts.
- In another sign of lack of progress on the disinflation front, import prices unexpectedly increased by 0.3% m/m in October (prior: -0.4% m/m), its largest monthly increase since April. Both fuel and non-fuel drove prices up during the month, the latter due to industrial supplies & materials, capital goods, consumer goods and automotive vehicles.

UK's economy slowed sharply to 0.1% q/q in 3Q; contracted 0.1% m/m in September

- The economy saw a sharper than expected slowdown in 3Q (+0.1% q/q vs +0.5% q/q) after a surprised contraction in September's GDP (-0.1% m/m vs +0.2% m/m), the latter largely due to a drop in in manufacturing output and information & communication services. As it is, we attribute the downtick to consumers and businesses holding back spending ahead of the Autumn Budget and expect the economy to pick up a little going forward, supported by modest winter spending and a boost next year from the latest Budget. With this, we are sticking to our view that the Bank of England will keep rates unchanged at 4.75% in December, before resuming its gradual rate cut in 1Q.
- Data this morning showed that Rightmove House Prices fell 1.4% m/m in November from +0.3% m/m previously, its first decline in 3 months as a still elevated mortgage rates continued affordability.

Japan' core machine orders continued to fall due to manufacturing

- Defying expectations for growth, core machine orders continued to fall, albeit at a narrower pace of -0.7% m/m in September (prior: -1.9% m/m) largely due to the manufacturing sector rather than non-manufacturing. Moving forward, the latter is expected to remain soft in 4Q in line with the contractionary PMIs globally but is expected to improve to +0.9% q/q (2Q: -7.2% q/q) during the quarter. Non-manufacturing orders, meanwhile, is expected to pick-up (+12.2% q/q vs +1.4% q/q) as a weaker JPY may spur demand for travel-related services.

China's domestic demand indicators still weak, but are stabilising if not recovering

- Although still weak, domestic demand indicators are showing tentative signs of recovery after the slew of stimulus measures by the government. We see the economy picking up in the coming months, albeit modestly, thanks to the accelerated implementation of existing and incremental policies since October, while noting that the external demand, confidence and structural issues remains a challenge to achieve its targeted growth going forward.
- Standing out was the stronger than expected retail sales data in October (4.8% y/y vs 3.2% y/y), boosted by a resilient labour market (unemployment rate: 5.0% vs 5.1%), trade in initiatives for electrical goods and temporary boost during the Golden Week. Property sector remains sluggish, with property investment (-10.3% YTD) continuing to register double-digit contractions but the contraction in home prices (new: -0.5% m/m vs -0.7% m/m) have started to narrow. On the flip side, industrial output unexpectedly eased to 5.3% y/y from 5.4% y/y previously and could face headwinds from higher trade tariffs in 2025, while fixed asset investment undershot expectations but held steady at 3.4% y/y.

Hong Kong slowed to +1.8% y/y in 3Q; 2024 GDP forecast cut to 2.5%; underlying & headline CPI cut to 1.1 and 1.7%

- The Hong Kong economy expanded at a modest pace of 1.8% y/y in 3Q (prior: 3.2% y/y), unchanged from its initial estimate and contracted on a q/q basis by -1.1% (prior: +0.3% q/q). The deceleration on a y/y basis was weighed down by slower growth across the board, save for exports of services. Household spending notably fell for the second quarter to -1.3% y/y (prior: -1.6% y/y).
- The Government has cut its full year growth forecast to 2.5% for 2024, suggesting expectations for further moderation in growth in 4Q, given YTD growth of 2.6% y/y. This was in line with our earlier observation that economic for 2024 will likely be at the lower range of the Government's forecast of 2.5-3.5%. On the inflation outlook, the Government also revised down its underlying and headline CPI for 2024 to 1.1% and 1.7% respectively (prior: 1.3% and 1.9%) as officials expect inflation to stay modest in the near term due to milder external price pressures.

Malaysia's 3Q GDP growth moderated to 5.3% as expected

- The Malaysian economy registered softer growth for the first time in three quarters, expanding by 5.3% y/y in 3Q (2Q: +5.9% y/y), unchanged from the advanced reading and in line with ours as well as consensus estimates. Although growth remained predominantly domestic-driven, we noted a marked slowdown in private consumption growth (+4.8% vs +6.0% y/y), which was cushioned by faster growth in government spending and a pickup in gross fixed capital formation following the implementation of investment projects. The moderation in 3Q growth was also a result of a net drag from net exports, which turned negative again during the quarter (-8.8% vs +3.4% y/y), as imports growth outpaced exports growth.
- Looking ahead, we are cautiously optimistic the Malaysian economy will be able to sustain a similar growth pace in 4Q, underpinned by year end spending, cash handouts, and the civil servant pay rise but external risks remain a wild card. We have therefore adjusted our full year growth forecast 0.2ppt lower

from 5.4% to 5.2%, which remains well within MOF's growth forecast of 4.8-5.3% for 2024.

House View and Forecasts

FX	This Week	4Q-24	1Q-25	2Q-25	3Q-25
DXY	104-108	105.78	105.51	103.40	102.37
EUR/USD	1.03-1.08	1.05	1.05	1.07	1.08
GBP/USD	1.26-1.29	1.28	1.28	1.31	1.32
USD/JPY	151-157	153	153	148	146
AUD/USD	0.63-0.68	0.65	0.66	0.67	0.68
USD/MYR	4.42-4.51	4.40	4.40	4.30	4.26
USD/SGD	1.32-1.36	1.33	1.33	1.31	1.29

Rates, %	Current	4Q-24	1Q-25	2Q-25	3Q-25
Fed	4.50-4.75	4.25-4.50	4.00.-4.25	3.75-4.00	3.75-4.00
ECB	3.25	3.00	2.75	2.50	2.25
BOE	4.75	4.75	4.50	4.25	4.00
BOJ	0.25	0.25	0.50	0.50	0.50
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-Nov	SI Non-oil Domestic Exports SA MoM (Oct)	1.10%
	EC Trade Balance NSA (Sep)	4.6b
	US New York Fed Services Business Activity (Nov)	-2.2
	US NAHB Housing Market Index (Nov)	43
19-Nov	AU RBA Minutes of Nov. Policy Meeting	
	MA Exports YoY (Oct)	-0.30%
	EC CPI Core YoY (Oct F)	2.70%
	EC ECB Publishes Euro Area Negotiated Wages Indicator for Q3 2024	
	US Housing Starts MoM (Oct)	-0.50%
	US Building Permits MoM (Oct)	-2.90%

Source: Bloomberg

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