

22 July 2024

## Global Markets Research

### Daily Market Highlights

## 22 July: IT outage shook global markets

**Rotational play out of megacap tech stocks continued; USD benefitted from risk-off environment  
UST pressured by Trump's re-election risk; European bonds by ECB rate cut doubts  
Softer than expected UK retail sales; acceleration in Japan's core-CPI and Malaysia's 2Q GDP**

- The global outage due to faulty update from CrowdStrike antivirus software, combined with further rotational plays out of mega-cap tech stocks, rattled traders worldwide and sent global equity indices closing in red. The three major US equity indices slid in tune to 0.7-0.9% d/d, Stoxx Eur 600 and FTSE 100 closed down 0.6-0.8% d/d in Europe while Nikkei 225, Hang Seng and Straits Times fell 0.2-2.0% d/d in Asia. CrowdStrike shares tumbled 11.1% following the outage that shutdown airports and disrupted businesses around the world.
- The global bond markets also posted broad declines, with US Treasuries pressured by concerns that a Trump re-election could be inflationary, and European bonds due ECB rate cuts doubts. UST yields rose 3-5bps across the board, while the 10Y European bonds yields also increased 4-6bps. As of the point of writing, President Joe Biden has exited the presidential race and endorsed Vice President Kamala Harris as the Democratic nominee.
- The Dollar was a clear winner in the forex space amidst a risk-off environment, strengthening against all the G10 and regional currencies. Consequently, DXY closed up 0.2% d/d to 104.40. GBP depreciated 0.2% d/d against the greenback following the dismal UK retail sales reading, while JPY weakened 0.1% d/d after the softer-than-expected acceleration in Japanese inflation. On the regional front, MYR and SGD depreciated 0.1-0.4% d/d to 4.6858 and 1.3453 respectively, the former despite the upward surprise in its 2Q GDP at 5.8% y/y, surpassing all estimates.
- In the commodities market, crude oil prices collapsed between 2.9-3.3% d/d amidst listless trade following the outage, although there were indications of potential supply tightness.

#### UK's retail sales slumped due to weather and election uncertainty

- Retail sales slumped more than expected in June after the poor weather and election uncertainty hit footfall and sales across the board. Weighing on sales were also cautious consumer sentiment (July's GfK consumer sentiment: -13 vs -14), sending sales sliding 1.2% m/m from +2.9% m/m previously. Retail sales fell across the board with the exception of petrol stations, and led by contractions in department stores, clothing shops and furniture stores. The latest data is a gentler reminder that sales can be volatile and with sales volumes sliding 0.1% q/q in 2Q, headwinds to UK consumer spending and economic recovery persists, especially in view of the softening labour market and still elevated price prints.

#### Key Market Metrics

	Level	d/d (%)
<b>Equities</b>		
Dow Jones	40,287.53	-0.93
S&P 500	5,505.00	-0.71
NASDAQ	17,726.94	-0.81
Stoxx Eur 600	510.03	-0.77
FTSE 100	8,155.72	-0.60
Nikkei 225	40,063.79	-0.16
CSI 300	3,539.02	0.51
Hang Seng	17,417.68	-2.03
Straits Times	3,447.56	-0.68
KLCI 30	1,636.55	0.17
<b>FX</b>		
Dollar Index	104.40	0.21
EUR/USD	1.0882	-0.14
GBP/USD	1.2914	-0.23
USD/JPY	157.48	0.07
AUD/USD	0.6685	-0.31
USD/CNH	7.2855	0.11
USD/MYR	4.6858	0.35
USD/SGD	1.3453	0.10
<b>Commodities</b>		
WTI (\$/bbl)	80.13	-3.25
Brent (\$/bbl)	82.63	-2.91
Gold (\$/oz)	2,399.10	-2.33
Copper (\$\$/MT)	9,310.00	-0.81
Aluminum(\$/MT)	2,351.50	-1.40
CPO (RM/tonne)	3,992.50	-0.24

Source: Bloomberg, HLBB Global Markets Research  
\* Dated as of 18 July for CPO

### Japan's core CPI accelerated for the second month, keeping rate hike expectations alive

- Japan's core CPI was a tad slower than expected, but with core accelerating for the second month, services costs picking up and as firms passed on the higher wage costs to consumers, this is largely in line with BOJ's view that the virtuous cycle from income to spending will gradually intensify going forward and supports our view for a rate hike in 2H of the year. Core CPI, which excludes fresh food, grew by 2.6% y/y in June from 2.5% y/y in May, while headline was unchanged at 2.8% y/y. While utility costs largely drove inflation pressures for the month, services prices also contributed to price pressures with its first acceleration since November 2023 at +1.7% y/y and +0.2% m/m (May: 1.6% y/y vs 0%).

### Malaysia's GDP surpassed all forecasts to expand by 5.8% in 2Q

- GDP surpassed all street estimates with a 5.8% y/y growth in 2Q (1Q: +4.2% y/y), its strongest growth since 4Q of 2022 and on broad-based gains from all sectors including manufacturing (4.7% y/y vs 1.9% y/y) to services (+5.6% y/y vs 4.7% y/y). Moving forward, the economy is expected to continue this positive growth momentum, supported by both domestic and export-driven factors, the latter driven by the global tech cycle. The robust growth data, even as we expect some downward revision in the final print, along with potential price pressures due to subsidy cuts, thus support our view that the central bank will most likely keep OPR steady at 3.00% for the rest of 2024.

### 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	1.28-1.31	1.28	1.29	1.28	1.28
USD/JPY	154-160	158	155	151	148
AUD/USD	0.65-0.69	0.67	0.68	0.69	0.69
USD/MYR	4.64-4.69	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
22-Jul	CH 5-Year Loan Prime Rate	3.95%
	CH 1-Year Loan Prime Rate	3.45%
	MA Foreign Reserves	\$113.8b
	HK CPI Composite YoY (Jun)	1.20%
	US Chicago Fed Nat Activity Index (Jun)	0.18
23-Jul	SI CPI YoY (Jun)	3.10%
	US Philadelphia Fed Non-Manufacturing Activity (Jul)	2.9
	EC Consumer Confidence (Jul P)	-14
	US Richmond Fed Manufact. Index (Jul)	-10
	US Richmond Fed Business Conditions (Jul)	-11
	US Existing Home Sales MoM (Jun)	-0.70%

Source: Bloomberg

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