23 July 2024

Global Markets Research

Daily Market Highlights

23 July: PBoC cut its policy rate to support the economy

CNH weakened after PBoC's rate cut; shift to a new policy benchmark to guide markets

Tech stocks drove the rebound in stock markets; Ryanair's plunge flags consumers' cautiousness

US treasuries and DXY closed with modest loses as the FOMC entered the blackout period

- Powered by rebound in Nvidia and tech stocks, the Dow, S&P 500 and Nasdaq rallied in tune to 0.3-1.6% d/d overnight. Nvidia popped 4.8% d/d, recovering some of its pull-back the prior week due to the IT outage and rotational plays. Other major tech stocks such as Meta Platforms and Alphabet also rose more than 2.0% d/d but CrowdStrike was the worst performer in the S&P 500, plunging 13.5% d/d. Despite the tech's strong gains, small-cap stocks held up and the Russell 2000 closed up 1.7% d/d. Overnight gain followed President Biden's announcement that he was ending his presidential run, a move that saw little consensus on how it will affect the markets in the near term.
- Similarly, Stoxx Eur 600 also closed 0.9% d/d higher in Europe, with technology and banking stocks outperforming while travel and leisure were the laggards. Sentiment for the latter was weighed down by the more than 17% d/d plunge in Ryanair shares, after the airline cut its outlook for ticket prices during the summer months, a sign that consumers are growing more cautious. On the other hand, Asian markets mostly fell after the PBoC unexpectedly cut its policy rates, but is expected to follow futures and Wall Street's rebound when they open this morning.
- The global bond market closed with modest losses, with Treasury yields 1-3bps higher across the curve and 10Y European bond yields gaining between 1-4bps, save for the Norwegian, Swedish and Italian sovereign bonds.
- DXY traded within a narrow range and was marginally underwater at 104.31 (-0.1% d/d) as investors remained cautious after Biden's announcement. G10 and regional currencies closed mixed against the Dollar, with the JPY leading gains against USD on both fronts (+0.3% d/d) despite talks that BOJ officials see weak consumer spending complicating their potential rate hike decision. GBP and EUR also strengthened by 0.1-0.2% d/d against the greenback, the latter after ECB's Peter Kazimir commented that market bets of 2 more rate cuts this year aren't fully misplaced, but shouldn't be taken as a given or baseline. The AUD (-0.6% d/d) led laggards amongst the G10, weighed down by the retreat in global industrial metal prices and growth concerns over China. Closer to home, CNH weakened 0.2% d/d after the PBoC unexpectedly delivered the 10bps rate cut, SGD was also 0.1% d/d weaker at 1.3460 but MYR strengthened 0.1% d/d to 4.6820.
- While oil prices fell 0.3-0.4% d/d overnight, traders are monitoring signs that the blast of heat across the Alberta oil field could trigger a wave of wildfires, potentially disrupting oil production.

PBoC cut its short-term policy rate to support the economy

- The People's Bank of China (PBoC) cut the 7-day reverse repo rate by 10bps

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	40,415.44	0.32
S&P 500	5,564.41	1.08
NASDAQ	18,007.57	1.58
Stoxx Eur 600	514.79	0.93
FTSE 100	8,198.78	0.53
Nikkei 225	39,599.00	-1.16
CSI 300	3,514.93	-0.68
Hang Seng	17,635.88	1.25
Straits Times	3,437.26	-0.30
KLCI 30	1,622.07	-0.88
FX		
Dollar Index	104.31	-0.08
EUR/USD	1.0891	0.08
GBP/USD	1.2933	0.15
USD/JPY	157.04	-0.28
AUD/USD	0.6643	-0.63
USD/CNH	7.2961	0.15
USD/MYR	4.6820	-0.08
USD/SGD	1.3460	0.05
Commodities		
WTI ($/bbl)	79.78	-0.44
Brent ($/bbl)	82.40	-0.28
Gold ($/oz)	2,394.70	-0.18
Copper ($$/MT)	9,216.50	-1.00
Aluminum($/MT)	2,299.50	-2.21
CPO (RM/tonne)	4,007.50	0.38

Source: Bloomberg, HLBB Global Markets Research
** Dated as of 19 July for CPO*

to 1.7%, marking a shift towards a new policy benchmark to guide markets. In tandem with this, commercial banks also followed suit and lowered the 1Y and 5Y lending rates by 10bps each to 3.35% and 3.85% respectively. According to the central bank, the latest move aims to optimise the open market operation mechanism and increase financial support for the economy.

Economic growth decelerated in the Chicago region

- Although better than expected, the Chicago Fed National Activity Index (CFNAI) decreased to +0.05 in June from +0.23 in May, suggesting that economic growth in the region softened during the month. Three of the four broad categories of indicators weakened (with the exception of the personal consumption and housing category) and three categories made negative contributions.

Hong Kong's CPI accelerated but underlying inflation remains mild

- Inflation unexpectedly accelerated to 1.5% y/y in June (May: 1.2% y/y), with the larger increase during the month mainly due to the decrease in the Government's electricity charges subsidy and thus stripping this, underlying inflation remained steady and modest at 1.0% y/y. Prices of meals out and takeaway food gathered pace, while those of basic food saw modest increases. Prices of energy-related items continued to decrease visibly, while price pressures on other major components remained broadly in check. Moving forward, overall inflation is expected to stay mild with upward risks stemming from stronger domestic demand and uncertainties from the ongoing geopolitical tension.

Malaysia's foreign reserves fell $0.5bn in 1H of July

- Foreign reserves fell $0.5bn in the first half of July to $113.3bn as of 15-July. This is compared to a drop of $0.3bn in 2H of June, which has taken into account the foreign exchange revaluation changes for the quarter. The current reserves position is sufficient to finance 5.4 months of imports of goods and services, and is 1.0 times of the total short-term external debt.

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
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%
24-Jul	AU Judo Bank Australia PMI Mfg (Jul P)	47.2
	AU Judo Bank Australia PMI Services (Jul P)	51.2
	JN Jibun Bank Japan PMI Mfg (Jul P)	50
	JN Jibun Bank Japan PMI Services (Jul P)	49.4
	MA CPI YoY (Jun)	2.00%
	EC HCOB Eurozone Manufacturing PMI (Jul P)	45.8
	EC HCOB Eurozone Services PMI (Jul P)	52.8
	UK S&P Global UK Manufacturing PMI (Jul P)	50.9
	UK S&P Global UK Services PMI (Jul P)	52.1
	US MBA Mortgage Applications	0.70%
	US Advance Goods Trade Balance (Jun)	-$100.6b
	US S&P Global US Manufacturing PMI (Jul P)	51.6
	US S&P Global US Services PMI (Jul P)	55.3
	US New Home Sales MoM (Jun)	-11.30%

Source: Bloomberg

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