23 September 2024

Global Markets Research

Daily Market Highlights

23 Sep: JPY weakened as BOJ delivered a dovish pause

Muted and mixed markets amid lack of fresh catalysts and data releases

Equities ended mixed; bond yields and DXY traded higher

Upside surprises in UK retail sales could potentially delay BOE cut

- Global equities traded mixed. The three benchmark US equity indices saw more muted move and ended mixed on Friday in the absence of any fresh catalysts and data releases, and the "hype" over FOMC meeting dissipated. The Dow eked out a mere 0.1% increase, while the S&P500 and NASDAQ fell 0.2% and 0.4% d/d respectively. This however did no dent to the weekly rally, where the three indices closed the week higher. European stocks closed mainly in the red while Asian equities advanced. Futures are pointing to mixed openings in Asian bourses this morning tracking mixed performance in Wall Street on Friday, and as China concerns stemming from budget spending cuts and high youth unemployment rate (18.8%) sent chills to the markets.
- Trading in government bonds remained bearish, pushing yields generally higher albeit at more modest pace. UST yields rose 1-3bps across the curve in a further steepening mode. 2-year UST yields inched 1bp higher to 3.59% while 10-year bond yields added 3bps to 3.74%. European yields also rose 1-3bps by and large.
- In the FX space, the Dollar Index regained some grounds to 100.74 as at Friday's close, up 0.1% on the day. The USD ended mixed against both the G10s and major Asian currencies. The sterling led gains again (+0.3% to 1.3321), as upbeat retail sales continued to point to a bright growth outlook. The JPY on the other hand was the biggest loser, weakened 0.9% d/d to 143.85 against the USD as BOJ Governor Ueda downplayed the case for a hike. Regional currencies on the other hand, traded on a bullish note, with eight registered gains against the USD and three weakened against the greenback. CNH, MYR and SGD strengthened between 0.1-0.4% on the day against the USD at 7.0421, 4.2037 and 1.2905 respectively.
- On the commodity front, oil prices pulled back marginally by 0.2-0.4% d/d as expectations for higher demand stemming from Fed rate cuts dwindled. That said, oil prices still closed the week higher by about 3.6% w/w, with the WTI last closed at $71.77/ barrel while the Brent ended at $74.72/ barrel.

BOJ paused after the surprised hike in July; CPI came in as expected at 3.0% y/y in August

- BOJ kept rates steady at 0.25% after hiking it twice earlier this year from -0.10%. The central bank also signalled it is in no hurry to hike and reiterated that upside risk to inflation has moderated, offering hints that the central bank may be tilted to a pause in October. We are maintaining our view for the next hike to take place in 1Q25. National CPI picked up to 3.0% y/y in August as expected (Jul: +2.8% y/y) while CPI ex fresh food and energy

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	42,063.36	0.09
S&P 500	5,702.55	-0.19
NASDAQ	17,948.32	-0.36
Stoxx Eur 600	514.26	-1.42
FTSE 100	8,229.99	-1.19
Nikkei 225	37,723.91	1.53
CSI 300	3,201.05	0.16
Hang Seng	18,258.57	1.36
Straits Times	3,624.76	-0.23
KLCI 30	1,668.82	0.19
FX		
Dollar Index	100.74	0.10
EUR/USD	1.1162	0.00
GBP/USD	1.3321	0.28
USD/JPY	143.85	0.86
AUD/USD	0.6807	-0.10
USD/CNH	7.0421	-0.42
USD/MYR	4.2037	-0.07
USD/SGD	1.2905	-0.09
Commodities		
WTI ($/bbl)	71.77	-0.42
Brent ($/bbl)	74.72	-0.24
Gold ($/oz)	2,623.60	1.36
Copper ($$/MT)	9,486.00	-0.56
Aluminum($/MT)	2,486.00	-2.13
CPO (RM/tonne)	4,020.00	1.75

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

added 0.1ppt to 2.0% y/y during the month (Jul: +1.9% y/y), also as expected.

Eurozone consumer confidence turned less negative in September

- Consumer confidence remained mired in negative territory with a -12.9 print in September (Aug: -13.4) although this was the least negative reading since Feb-22 and the improvement was bigger than expected. This however did not change the overall fragile and soft outlook of the Eurozone economy and we will likely see some affirmation from upcoming PMI numbers.

UK retail sales surprised on the upside; little pressure for the BOE to cut

- Retail sales growth unexpectedly picked up to +1.0% m/m in August (Jul: +0.7% m/m) while sales ex-auto fuel also surprised on the upside with a quicker 1.1% m/m increase (Jul: +1.0% m/m), adding to recent signs of a still strong UK economy. The quicker growth was driven by predominantly good stores, and non-specialized stores. Healthy consumer spending will continue to support GDP growth, hence sparing the BOE from any urgency to cut. There is no change to our view for one more 25bps cut for the year but we increasingly see risk to this view as US data continues surprising on the upside.

Australia PMIs weakened considerably in September; rate cut expectations increased slightly but remained low

- Preliminary PMI readings showed weaker economic activities in Australia. The composite PMI turned contractionary again to 49.8 in September (Aug: 51.7), proving the rebound in August as shortlived. This marked its 3rd contraction this year, due to deeper contraction in manufacturing (46.7 vs 48.5) and slower increases in services (50.6 vs 52.5). The manufacturing print was its lowest since the pandemic era in May-20, dragged by falls in output and new orders. Contrary to the 8th straight month of decline in manufacturing, services remained expansionary for the 8th straight month, supported by employment even as the prices charged component fell. Although futures pricing for an RBA has increased slightly, we see little chance of any cut this year, hence no change to our house view for a rate pause tomorrow and for the rest of the year.

Hong Kong CPI stabilized at 2.5% y/y

- CPI unexpectedly held steady at 2.5% y/y in August, its highest since Nov-23, but below expectation for a 2.6% y/y print. The jump in CPI since July was distorted by government subsidies on public rent, and underlying inflation remained very subdued at only 1.2% y/y (around the YTD low) if this distortion were to be excluded. This affirms a benign inflation condition in the Hong Kong economy that would support real spending power.

House View and Forecasts

FX	This Week	3Q-24	4Q-24	1Q-25	2Q-25
DXY	99-102	102.41	100.87	99.86	98.86
EUR/USD	1.10-1.13	1.11	1.12	1.10	1.08
GBP/USD	1.31-1.34	1.29	1.30	1.30	1.29
USD/JPY	140-146	145	143	140	137
AUD/USD	0.66-0.69	0.66	0.66	0.67	0.68
USD/MYR	4.17-4.25	4.50	4.40	4.35	4.30
USD/SGD	1.28-1.31	1.33	1.32	1.30	1.28

Rates, %	Current	3Q-24	4Q-24	1Q-25	2Q-25
Fed	4.75-5.00	4.75-5.00	4.25-4.50	4.00.-4.25	3.75-4.00
ECB	3.50	3.50	3.25	3.00	2.75
BOE	5.00	5.00	4.75	4.50	4.25
BOJ	0.25	0.25	0.25	0.40	0.40
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-Sep	MA CPI YoY (Aug)	2.00%
	SI CPI YoY (Aug)	2.40%
	MA Foreign Reserves (41518)	$116.8b
	EC HCOB Eurozone Manufacturing PMI (Sep P)	45.8
	EC HCOB Eurozone Services PMI (Sep P)	52.9
	UK S&P Global UK Manufacturing PMI (Sep P)	52.5
	UK S&P Global UK Services PMI (Sep P)	53.7
	US Chicago Fed Nat Activity Index (Aug)	-0.34
	US S&P Global US Manufacturing PMI (Sep P)	47.9
	US S&P Global US Services PMI (Sep P)	55.7
24-Sep	JN Jibun Bank Japan PMI Mfg (Sep P)	49.8
	JN Jibun Bank Japan PMI Services (Sep P)	53.7
	AU RBA Cash Rate Target (45536)	4.35%
	US Philadelphia Fed Non-Manufacturing Activity (Sep)	-25.1
	US FHFA House Price Index MoM (Jul)	-0.10%
	US S&P CoreLogic CS 20-City YoY NSA (Jul)	6.47%
	US Conf. Board Consumer Confidence (Sep)	103.3
	US Richmond Fed Manufact. Index (Sep)	-19
	US Richmond Fed Business Conditions (Sep)	-13

Source: Bloomberg

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