

24 July 2024

Global Markets Research
Daily Market Highlights

24 July: On a watchful eye for S&P PMIs for the majors

Front-end UST outperformed as cooler than expected home sales supported Fed rate cut bets

ECB's de Guindos said that autumn will be a better time to decide on rates

Firmer SGD despite the sharp deceleration in CPI; MAS to review headline forecast

- Trading in the global equity markets were largely lacklustre overnight, as investors geared up for releases of earnings reports after the bell and during the day. In the US, the 3 major indices fluttered around the flatline before closing down 0.1-0.2% d/d, as traders readied for the kick-start of the "Magnificent Seven" results starting with Alphabet. The tech giant reported after the bell, and saw its revenue boosted by cloud computing and search ads. Other corporate earnings were mixed, with Tesla reporting a drop in auto revenue and earnings miss after the bell, UPS shares also skidded 12.0% d/d on revenue miss and pared back outlook, while shares of General Motors tumbled 6.4% d/d despite beating street estimates.
- In contrast, Stoxx Eur 600 closed 0.1% d/d high in Europe, with SAP SE rallying 7.2% d/d after reporting a surge in its cloud revenue growth, but Porsche shares retreated 5.0% after the carmaker lowered its revenue forecast. Asian markets traded mixed but is poised to open flat-to-lower today following futures.
- Treasuries traded mixed, with the front-end outperforming after the cooler-than-expected existing home sales supported Fed rate cut bets. The 2Y yields slid 3bps to 4.49%, while the 10Y ended just below the flatline at 4.25%. 10Y European bond yields fell in tune to 2-6bps.
- DXY found its footing and closed 0.1% d/d higher at 104.45, with the Dollar strengthening against all its G10 peers save for the JPY (+0.9% d/d). AUD weakened 0.4% d/d against the greenback following the retreats in global commodity prices, while GBP and EUR depreciated 0.2-0.3% d/d. ECB's Luis de Guindos commented overnight that the central bank will be in a better position to decide on its interest rates at its next meeting in autumn, suggesting that the ECB may stay pat in its August meeting as widely anticipated. Regional currencies closed mixed, with CNH and MYR settling 0.1-0.2% d/d stronger at 7.2891 and 4.6733 respectively. SGD also appreciated slightly to 1.3456, despite the sharper than expected deceleration in its inflation prints.
- In the commodity space, lacklustre fuel demand continued to push oil prices down 1.7-3.5% d/d, but the wildfire in energy producing Alberta has prompted evacuations, potentially threatening oil supply and should keep prices well-supported.

US existing home sales fell to its lowest this year as the housing market transitions to a buyer's market

- We saw a gradual shift from a seller's to a buyer's housing market, as homes are sitting on the market longer, sellers are receiving fewer offers and housing inventories are rising. Existing home sales fell for the fourth month

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	40,358.09	-0.14
S&P 500	5,555.74	-0.16
NASDAQ	17,997.35	-0.06
Stoxx Eur 600	515.47	0.13
FTSE 100	8,167.37	-0.38
Nikkei 225	39,594.39	-0.01
CSI 300	3,439.88	-2.14
Hang Seng	17,469.36	-0.94
Straits Times	3,461.16	0.70
KLCI 30	1,629.68	0.47
FX		
Dollar Index	104.45	0.13
EUR/USD	1.0854	-0.34
GBP/USD	1.2908	-0.19
USD/JPY	155.59	-0.92
AUD/USD	0.6615	-0.42
USD/CNH	7.2891	-0.10
USD/MYR	4.6733	-0.19
USD/SGD	1.3456	-0.03
Commodities		
WTI (\$/bbl)	76.96	-3.53
Brent (\$/bbl)	81.01	-1.69
Gold (\$/oz)	2,407.30	0.53
Copper (\$\$/MT)	9,166.00	-0.55
Aluminum(\$/MT)	2,295.00	-0.20
CPO (RM/tonne)	4,030.50	0.57

Source: Bloomberg, HLBB Global Markets Research
* Dated as of 22 July for CPO

and by more than expected by 5.4% m/m in June (May: -0.7% m/m). At a 3.9m rate, this is also the lowest home sold this year as home affordability continued to be dampened by still elevated interest rates and home prices. The median existing-home sales price bounced up 4.1% y/y to \$426.9k, the second straight month it reached an all-time high, while the inventory of unsold existing homes rose 3.1% m/m to 1.3m, or the equivalent of 4.1 months' supply at the current monthly sales pace (May: 3.7 months).

- Regional indices were mixed but all negative. The Richmond Fed Manufacturing Activity index unexpectedly worsened to -17 in July (June: -10), but with future shipments and new orders solidly in positive territory, this suggests that firms expect improvements in this sector over the next 6 months. Its services index was little changed (-9 vs -8), but the nonmanufacturing business index in the Philadelphia region plunged 22 points to -19.1. This is the lowest reading since December 2020, weighed down by declining employment, and as the new orders and sales/revenues turned negative. Firms expect growth over the next 6 months, but these expectations were less widespread.

Eurozone's consumer confidence improved towards its long-term average

- Consumer confidence improved for the sixth month and by more than expected to -13 in July (June: -14). This is the highest since Russia's invasion of Ukraine and is approaching its long-term average, bonding well for consumption going forward.

Australia's composite PMI eased slightly to 50.2 in July

- The preliminary Judo Bank Australia Composite PMI moderated further in July, although it remained above the neutral 50, suggesting no signs of a significant slowdown in economic activity. While manufacturing remains weak (47.4 vs 47.2) with most-sub-indices contractionary, most service sector businesses (50.8 vs 51.2) continue to see better activity and new business than at the end of 2023. Of note, the overall employment trends slowed sharply but this has not translated into notable deceleration in price indicators. The index may also not have captured the impact of the tax cuts and cost-of-living support measures in the latest budget, a positive boost to the economy in the months ahead.

Sharper than expected deceleration in Singapore's inflation; FY headline forecasts being reviewed

- Both the headline and core inflation decelerated more than expected to 2.4% y/y and 2.9% y/y respectively in June (May: 3.1% y/y for both headline and core), the latter below 3.0% for the first time since March 2022. The deceleration was largely due to private transport costs, stemming from lower prices of car & motor vehicles and softer petrol prices. Inflation pressures for retail & other goods also eased, due to medicines & health products, personal effects as well as a steep drop in prices of clothing & footwear.
- With only the headline inflation forecast for 2024 being reviewed by MAS and core inflation maintained at 2.5–3.5%, we thus, do not expect any changes in the monetary policy stance when MAS meet this week. Core-inflation is expected to stay on a gradual moderating trend over the rest of 2024, stepping down more discernibly only in 4Q, as import cost pressures continued to decline, tightness in the domestic labour market eases and private transport and accommodation expected to ease on the back of larger

supplies.

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
24-Jul	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%
	25-Jul	JN PPI Services YoY (Jun)
AU NAB Business Confidence (2Q)		-2
HK Exports YoY (Jun)		14.80%
UK CBI Trends Total Orders (Jul)		-18
US GDP Annualized QoQ (2Q A)		1.40%
US Durable Goods Orders (Jun P)		0.10%
US Cap Goods Orders Nondef Ex Air (Jun P)		-0.60%
US Initial Jobless Claims (44013)		243k
US Kansas City Fed Manf. Activity (Jul)		-8

Source: Bloomberg

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