25 September 2024

Global Markets Research

Daily Market Highlights

25 Sep: Risk-on spurred by China's stimulus plans

Equities advanced; US stocks shrugged off disappointing consumer confidence

Sovereign bond yields halted recent rise and fell; broad weakness in USD

AUD advanced on RBA's hawkish pause; MYR and CNH led gains in Asia space

- Global equities saw a sea of greens as China's stimulus plans spurred demand for risk assets. US stocks were further boosted by a jump in Nvidia's shares, as markets shrugged off a weaker than expected US consumer confidence reading. The three main US benchmark stock indices climbed 0.2-0.6% d/d higher while European and Asian stock indices saw bigger gains to the tune of 4.0% in China-related indices.
- Yesterday morning, China announced more stimulus to boost its ailing real estate and stock markets. This included the 20bps cut in 7D reverse repo rate to 1.50% (just a day after it cut its 14D reverse repo rate by 10bps to 1.85%) and 50bps cut in RRR for major banks from 10.0% to 9.5%, its lowest since at least 2018 which is expected to release one trillion yuan in liquidity to the system. The Chinese government also lowered borrowing costs for mortgage and relaxed rules fo second-home purchases. Market cheered the move and led to an over 4.0% jump in the China and Hong Kong stock markets. The CNH also strengthened by 0.7% to 7.0110, its strongest in 16 months. Futures are pointing to mixed openings in Asian bourses this morning, as markets consolidate from gains.
- Trading in government bonds took a turn and came under some selling pressure amid a risk-on mood. UST and European bond yields (save for the UK gilts), were seen falling, halting recent increases. UST yields fell 1-5bps across the curve in a bull steepening trade with the 2-year note yields losing 5bps to 3.54% while the 10s shed 2bps to 3.73%. 10-year European bond yields fell 1-3bps on the day while that of the UK gilts added 2bps in yields to 3.94% on expectation UK Prime Minister Keir Starmer will try to reset the UK political narrative following recent criticism that his government's negative comment on the UK economy has made things worse. BOE Governor has also said interest rates were unlikely to fall back to ultralow levels barring any economic crisis.
- In the FX space, the Dollar Index remained weak, weakening against all G10s and major Asian currencies except for the PHP and INR with many crosses hitting multi-months or even multi-years highs. The EUR rebounded from prior day's PMI-triggered selloffs to end 0.6% d/d stronger at 1.1180. The sterling saw extended gains for a 5th consecutive day to 1.3413, its highest in 2 ½ years driven by improved risk appetite from China's stimulus, USD weakness and recent BOE's hawkish pause. This has pushed GBP/USD into overbought level, hinting at a potential pullback. AUD whipsawed immediately post RBA announcement. It hit an intraday low of 0.6814, before erasing all losses to close the day 0.8% higher at 0.6892, a 1½ -year

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	42,208.22	0.20
S&P 500	5,732.93	0.25
NASDAQ	18,074.52	0.56
Stoxx Eur 600	519.70	0.65
FTSE 100	8,282.76	0.28
Nikkei 225	37,940.59	0.57
CSI 300	3,351.91	4.33
Hang Seng	19,000.56	4.13
Straits Times	3,622.74	-0.43
KLCI 30	1,670.37	0.30
FX		
Dollar Index	100.35	-0.56
EUR/USD	1.1180	0.62
GBP/USD	1.3413	0.49
USD/JPY	143.23	-0.26
AUD/USD	0.6892	0.79
USD/CNH	7.0110	-0.70
USD/MYR	4.1578	-1.08
USD/SGD	1.2835	-0.54
Commodities		
WTI ($/bbl)	71.54	1.15
Brent ($/bbl)	75.13	1.08
Gold ($/oz)	2,657.90	1.06
Copper ($$/MT)	9,821.00	2.92
Aluminum($/MT)	2,554.00	2.74
CPO (RM/tonne)	4,082.50	1.37

Source: Bloomberg, HLBB Global Markets Research
** Dated as of 23 Sep for CPO*

high, riding on optimism from China's stimulus plans and RBA's hawkish hold.

- On the regional FX front, MYR continued outperforming and led gainers for the day, appreciated by 1.1% d/d to 4.1578., its strongest level in almost two years, lifted by news China is deepening its strategic cooperation with Malaysia, on top of the overall risk-on sentiments. The SGD advanced 0.5% d/d to 1.2835, its strongest in almost a decade.
- On the commodity front, oil prices rose over 1.0% on the day on hopes that US rate cuts, China's stimulus plan will boost demand for oil. API also reported lower crude inventories last week while geopolitical conflicts in the Middle East lingered. WTI rose by 1.2% d/d to $71.54/ barrel while Brent ended 1.1% higher d/d at $75.13/ barrel.

RBA paused and turned slightly less hawkish; maintain our view for a cut in 1Q25

- RBA kept its cash rate target unchanged at 4.35% as expected, after last raising it by 25bps in November last year. Although RBA acknowledged slowing growth outlook, lingering inflation risk and a still tight labour market support the case for a rate pause. This hawkish hold reaffirmed our view that the central bank is in no hurry to cut, unless Australia's CPI data surprised on the downside. We maintain our view for a cut to kick in only in 1Q25.

Slightly weaker US data bag; disappointing consumer confidence took center stage

- Conference Board consumer confidence missed estimate for a slight uptick to 104.0, but instead worsened to 98.7 in September, its lowest in three months, amid job concerns as consumers perceived there were less jobs and it's harder to get jobs. That said, August reading was revised sharply higher to 105.6, and should somewhat neutralized the unexpected dip in September. The expectation index that showed outlook on business, income and labour expectations deteriorated to 81.7 in September, from an upwardly revised 86.3 in August.
- Philly Fed non-manufacturing activity improved more than expected in September, registering a -6.1 print, better than August's -25.1 and consensus estimate's -9.3. Despite the upside surprises, the reading remained negative for the 3rd straight month, mainly a result of continuous drop in new orders (-17.8 vs -0.3) and unfilled orders (-3.4 vs -2.8). Meanwhile, sales doubled to 13.5 (Aug: 6.8) and part time employment posted a hefty turnaround, wages & benefits also picked up for the 3rd straight month, offering signs of a still healthy labour market. In a separate release, Richmond Fed manufacturing index unexpectedly worsened to -21 in September (Aug: -19) dragged by a fall in shipment but the business condition index improved to -3 (Aug: -13).
- House prices came in mixed. FIFA house prices saw a minor pick-up to increase 0.1% m/m in July, from a upwardly revised stagnant month in June. On the contrary, S&P CoreLogic house prices reported softer than expected gains in July (+0.27% vs +0.47% m/m), a sign of a still fragile US housing market.

Japan PMIs moderated; in line with other majors

- Composite PMI tapered off 0.4ppt to 52.5 in September (Aug: 52.9), but nonetheless marked its 3rd straight month of expansion, and should soothe fear the Japanese economy is in a doldrum. The manufacturing index remained contractionary and slipped further to 49.6 in September (Aug: 49.8) dragged by decline in output while services inched 0.2ppt higher to 53.9.

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	4.14-4.22	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
25-Sep	JN PPI Services YoY (Aug)	2.80%
	CH 1-Yr Medium-Term Lending Facility Rate (43344)	2.30%
	AU CPI YoY (Aug)	3.50%
	AU CPI Trimmed Mean YoY (Aug)	3.80%
	JN Nationwide Dept Sales YoY (Aug)	5.50%
	US MBA Mortgage Applications (44075)	14.20%
	US New Home Sales MoM (Aug)	10.60%
26-Sep	SI Industrial Production YoY (Aug)	1.80%
	JN Machine Tool Orders YoY (Aug F)	-3.50%
	HK Exports YoY (Aug)	13.10%
	US GDP Annualized QoQ (2Q T)	3.00%
	US Durable Goods Orders (Aug P)	9.80%
	US Initial Jobless Claims (21-Sept)	219k
	US Pending Home Sales MoM (Aug)	-5.50%
	US Kansas City Fed Manf. Activity (Sep)	-3

Source: Bloomberg

Hong Leong Bank Berhad
Fixed Income & Economic Research, Global Markets
Level 8, Hong Leong Tower
6, Jalan Damanlela
Bukit Damansara
50490 Kuala Lumpur
Tel: 603-2081 1221
Fax: 603-2081 8936
HLMarkets@hlbb.hongleong.com.my

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