HongLeong Bank

26 September 2024

Global Markets Research

Daily Market Highlights

26 Sep: Markets consolidated from prior rally

Stocks generally closed lower; bond yields and DXY ended higher

China cut MTLF rate by 30bps to 2.00%; offer cash aids for the very first time

Focus will shift to US GDP and core PCE prints for Fed policy outlook ahead

- Global equities largely ended in the red with most bourses consolidated from prior gains, and amid lack of fresh catalysts ahead of GDP print tonight and core PCE tomorrow., where markets will scrutinize both data for further clues on the Fed rate cut path. The Dow and broader S&P500 posted losses of 0.7% and 0.2% d/d respectively while the tech-heavy NASDAQ managed to eke out a small gain of 0.04%, supported by big cap stocks like Nvidia and META, not forgetting earnings beat by Micron, sending positive signals for the chip and AI sector. European stocks also came under pressure, as key equity indices were seen erasing early session gains going into the American trading session. Stoxx Eur 600 fell 0.1% while the FTSE100 shed 0.2% on the day.
- On the contrary, Asian stock markets traded on a mixed note, riding on prior rallies in Wall Street and risk-on sentiments from more China stimulus. Adding on to prior's rate cuts and stimulus measures, China cut its Medium Term Lending Facility Rate by 30bps to 2.00% yesterday, marking its 2nd cut this year to a record low. It also withdrew a net 291bn yuan via the MLF, as PBoC sought to overhaul its monetary policy by shifting to shorter dated reverse repo rate. They also announced cash aids for the extreme poor, a rare move as far as direct handouts are concerned. CSI 300 and Hang Seng saw extended gains, while other bourses like Japan, Australia and Singapore settled in the red. KLCI closed 0.2% higher following a last minute spike. Futures are pointing to an overall higher opening in Asian markets this morning.
- Bonds were under pressure pushing yields higher by and large. The UST curve shifted almost parallelly by 5-6bps higher across, with the 2s added 5bps to 3.56% while the 10s added 6bps to 3.79%. 10-year European bond yields also added 2-6bps on the day.
- In the FX space, the Dollar Index rebounded with a 0.6% d/d gain to 100.93, as the USD strengthened against all G10s, the most vs the NOK and NZD followed by the JPY. The Aussie fell 1.0% on the day as the expected moderation in CPI reaffirmed RBA's rate cut outlook. The CHF lost 0.8% ahead of an anticipated 25bps rate cut by SNB today while the EUR and GBP saw more modest losses of 0.4% and 0.7% d/d respectively. On the regional front, major Asian FX traded mixed against the greenback. MYR continued to be in the forefront leading the gainers, strengthening a further 0.7% d/d to 4.1293, bouncing back from 4.1077 in early Asian session. CNH and SGD however consolidated from prior gains and closed the day 0.3-0.5% weaker at 7.0328 and 1.2899 respectively.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	41,914.75	-0.70
S&P 500	5,722.26	-0.19
NASDAQ	18,082.21	0.04
Stoxx Eur 600	519.14	-0.11
FTSE 100	8,268.70	-0.17
Nikkei 225	37,870.26	-0.19
CSI 300	3,401.53	1.48
Hang Seng	19,129.10	0.68
Straits Times	3,583.27	-1.09
KLCI 30	1,673.38	0.18
FX		
Dollar Index	100.93	0.57
EUR/USD	1.1133	-0.42
GBP/USD	1.3324	-0.66
USD/JPY	144.75	1.06
AUD/USD	0.6823	-1.00
USD/CNH	7.0328	0.31
USD/MYR	4.1293	-0.69
USD/SGD	1.2899	0.50
Commodities		
WTI ($/bbl)	69.84	-2.38
Brent ($/bbl)	73.67	-1.94
Gold ($/oz)	2,656.80	-0.04
Copper ($$/MT)	9,801.00	-0.20
Aluminum($/MT)	2,539.00	-0.59
CPO (RM/tonne)	4,073.50	-0.22

Source: Bloomberg, HLBB Global Markets Research
** Dated as of 24 Sep for CPO*

- On the commodity front, oil prices fell amid signs Libya may resume production, overshadowing an EIA report showing bigger than expected decline in inventories. WTI fell by 2.4% d/d to $69.84/ barrel while Brent contracted 1.9% d/d to $73.67/ barrel.

US new home sales slowed less than expected; slower increase in mortgage applications

- MBA mortgage applications continued to increase albeit at a slower pace of 11.0% w/w for the week ended 20-Sept (prior: 14.2%), due to smaller gains in both the new purchases (1.4% vs 5.4%) and refinancing (20.3% vs 24.2%) indices. This marked its 5th consecutive week of increase, its longest winning streak since last December, as further retreat in borrowing costs helped spur demand for loans especially refinancing loans, which accounted for 55.7% of total applications last week.
- New home sales declined at a smaller than expected pace of 4.7% m/m to 716k units in August (Jul: +10.3% m/m to 751k), continuing with the recent trend of a decline after two months of gains, with mixed performance across different regions. Median prices of new homes fell and could extent its downward trajectory as inventories were on the rise again suggesting a still fragile US housing market.

Japan PPI services held steady; department store sales slowed

- PPI services posted a steady reading of 2.7% y/y in August, offering signs inflation is somewhat stabilizing. In a separate release, nationwide department store sales eased for the 3rd straight month and grew at a slower pace of 3.9% y/y in August (Jul: +5.5%), its smallest gain in 2.5 years. Sales slowed across the board from clothing to accessories and sundries, while household goods and food contracted, suggesting slower consumer spending that would allow BOJ to further push back rate hike timing, which we have pencilled in the next hike to be in 1Q25.

Expected easing in Australia CPI; no change to our view for a 1Q25 cut

- Headline CPI moderated to a 3-year low at 2.7% y/y in August as expected, down sharply from the 3.5% y/y increase in July, as all main components including food and housing saw softer price gains while transport prices fell. Core CPI moderated to 3.0% y/y in August (Jul: +3.7% y/y) while trimmed mean CPI eased to 3.4% from 3.8% in July. While this points to an easing path going forward, market pricing for a cut remains little changed. We are maintaining our house view for the next rate cut in 1Q25.

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	4.10-4.22	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
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
27-Sep	JN Tokyo CPI YoY (Sep)	2.60%
	CH Industrial Profits YoY (Aug)	4.10%
	JN Leading Index CI (Jul F)	109.5
	EC ECB 1 Year CPI Expectations (Aug)	2.80%
	EC ECB 3 Year CPI Expectations (Aug)	2.40%
	EC Consumer Confidence (Sep F)	--
	EC Services Confidence (Sep)	6.3
	EC Industrial Confidence (Sep)	-9.7
	EC Economic Confidence (Sep)	96.6
	US Personal Income (Aug)	0.30%
	US Personal Spending (Aug)	0.50%
	US Real Personal Spending (Aug)	0.40%
	US PCE Price Index YoY (Aug)	2.50%
	US Core PCE Price Index YoY (Aug)	2.60%
	US U. of Mich. Sentiment (Sep F)	69
	US Kansas City Fed Services Activity (Sep)	5

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

DISCLAIMER

This report is for information purposes only and does not take into account the investment objectives, financial situation or particular needs of any particular recipient. The information contained herein does not constitute the provision of investment advice and is not intended as an offer or solicitation with respect to the purchase or sale of any of the financial instruments mentioned in this report and will not form the basis or a part of any contract or commitment whatsoever.

The information contained in this publication is derived from data obtained from sources believed by Hong Leong Bank Berhad (“HLBB”) to be reliable and in good faith, but no warranties or guarantees, representations are made by HLBB with regard to the accuracy, completeness or suitability of the data. Any opinions expressed reflect the current judgment of the authors of the report and do not necessarily represent the opinion of HLBB or any of the companies within the Hong Leong Bank Group (“HLB Group”). The opinions reflected herein may change without notice and the opinions do not necessarily correspond to the opinions of HLBB. HLBB does not have an obligation to amend, modify or update this report or to otherwise notify a reader or recipient thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

HLB Group, their directors, employees and representatives do not have any responsibility or liability to any person or recipient (whether by reason of negligence, negligent misstatement or otherwise) arising from any statement, opinion or information, expressed or implied, arising out of, contained in or derived from or omission from the reports or matter.

Potential and actual conflict of interest may arise from the activities of HLB Group. HLB Group constitute a diversified financial services group. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, hedging transactions and other activities for their own account or the account of others. In the ordinary course of their business, HLB Group may effect transactions for their own account or for the account of their customers and hold long or short positions in the financial instruments. HLB Group, in connection with its business activities, may possess or acquire material information about the financial instruments. Such activities and information may involve or have an effect on the financial instruments. HLB Group have no obligation to disclose such information about the financial instruments or their activities.

The past performance of financial instruments is not indicative of future results. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Any projections or forecasts mentioned in this report may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information. No assurance can be given that any opinion described herein would yield favourable investment results. Recipients who are not market professional or institutional investor customer of HLBB should seek the advice of their independent financial advisor prior to taking any investment decision based on the recommendations in this report.

HLBB may provide hyperlinks to websites of entities mentioned in this report, however the inclusion of a link does not imply that HLBB endorses, recommends or approves any material on the linked page or accessible from it. Such linked websites are accessed entirely at your own risk. HLBB does not accept responsibility whatsoever for any such material, nor for consequences of its use.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. This report is for the use of the addressees only and may not be redistributed, reproduced or passed on to any other person or published, in part or in whole, for any purpose, without the prior, written consent of HLBB. The manner of distributing this report may be restricted by law or regulation in certain countries. Persons into whose possession this report may come are required to inform themselves about and to observe such restrictions. By accepting this report, a recipient hereof agrees to be bound by the foregoing limitations.