

28 October 2024

**Global Markets Research**
**Daily Market Highlights**

## 28 Oct: All eyes on US labour and core PCE data this week

**US equities closed mixed; UST yields rose; Dollar strengthened amid capex numbers**

**JPY continued weakening as LDP coalition lost its majority in the parliament**

**CNH weakened after PBoC left 1Y MLF rate unchanged; industrial profits and FDI fell**

- A tech run-up failed to lift the broader market last Friday, as investors braced for the upcoming US presidential election on November 5<sup>th</sup> as well as a slew of key economic data and corporate earnings this week. The tech-heavy Nasdaq climbed 0.6% d/d to an all-time high, ahead of the release of five of the Magnificent Seven earnings results this week, but the Dow lost 0.6% d/d. S&P 500 closed just below the flatline, weighed down by banking stocks. On the corporate front, earnings results from HCA Healthcare and Colgate-Palmolive both disappointed.
- Elsewhere, Stoxx Eur 600 and FTSE 100 closed 0-0.3% d/d lower with corporate results from NatWest to Mercedes proving a mixed bag. Asian equity markets were mostly higher, though Nikkei 225 tumbled 0.6% d/d ahead of the general election over the weekend and the Bank of Japan's monetary policy meeting this Friday. For the latter, the coalition led by the ruling Liberal Democratic Party (LDP) has lost its majority in the parliament, and this could dent sentiment for Nikkei 225 as well as the JPY today.
- In the bond space, Treasury yields moved higher by 3bps across the curve, with the 2Y closing the day at 4.11% and the 10Y at 4.24%. Save for the UK gilts and Swedish bonds, 10Y European bond yields rose between 1-6bps, a turnaround from the prior day's flat to -5bps.
- In the forex space, DXY rose 0.3% d/d to 104.32 amid mixed economic data from the US, and the Dollar strengthened against all its G10 peers. Leading losses against USD were SEK, NZD and AUD (-0.5 to -0.6% d/d), while EUR and GBP weakened 0.3% d/d and 0.1% d/d respectively. JPY depreciated 0.3% d/d to 152.31 as the Japan election unnerved investors. Closer to home, regional currencies weakened against USD save for the strengthening in the MYR (+0.1% d/d to 4.3427), TWD and HKD. CNH and SGD depreciated by 0.1% d/d and 0.2% d/d respectively after the PBoC left its 1Y MLF rate unchanged and Singapore's output growth eased sharply.
- In the crude oil market, the WTI and Brent rallied 1.8-1.9% d/d as traders refocused on risks of escalation in the Middle East, but both WTI and Brent opened much lower this morning as Israel's retaliation attack on Iran over the weekend has only hit Iran's military targets and avoided the oil fields.

**China maintained 1Y MLF rate at 2.00%; FDI and industrial profits data continued to languish**

- As anticipated, the People's Bank of PBoC (PBoC) kept the 1Y medium-term lending facility (MLF) rate unchanged at 2.00% while draining a net 89bn yuan via MLF for October. This comes after the central bank cut the funding costs by a record last month, suggesting a cautious approach to its monetary stance going forward as well as a switch in focus in terms of monetary policy tools,

**Key Market Metrics**

	Level	d/d (%)
<b>Equities</b>		
Dow Jones	42,114.40	-0.61
S&P 500	5,808.12	-0.03
NASDAQ	18,518.61	0.56
Stoxx Eur 600	518.81	-0.03
FTSE 100	8,248.84	-0.25
Nikkei 225	37,913.92	-0.60
CSI 300	3,956.42	0.70
Hang Seng	20,590.15	0.49
Straits Times	3,593.41	-0.32
KLCI 30	1,618.30	-0.85
<b>FX</b>		
Dollar Index	104.32	0.28
EUR/USD	1.0796	-0.30
GBP/USD	1.2962	-0.10
USD/JPY	152.31	0.32
AUD/USD	0.6608	-0.48
USD/CNH	7.1341	0.14
USD/MYR	4.3427	-0.13
USD/SGD	1.3213	0.24
<b>Commodities</b>		
WTI (\$/bbl)	71.69	1.93
Brent (\$/bbl)	75.90	1.82
Gold (\$/oz)	2,760.80	0.44
Copper (\$\$/MT)	9,563.50	0.01
Aluminum(\$/MT)	2,670.00	1.16
CPO (RM/tonne)	4,634.50	1.33

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

to shorter-term ones to guide markets as well as cuts in the RRR by 25-50bps to free up cash for banks to lend.

- Data, meanwhile, continues to point to a sluggish economy. FDI into China plunged 30.4% y/y for the period Jan-Sept, while industrial profits stumbled 27.1% y/y for the month of September, extending August's -17.8% y/y decline. Officials attributed this to high base factors, but in our opinion, rising deflationary pressures which will continue to weigh on corporate profits.

#### Mixed capex data from the US

- Capex indicators were better than expected but mixed, the latter a signal that still elevated borrowing rates, uncertainties over the upcoming presidential election and future demand will continue to weigh on capex. Durable goods fell 0.8% m/m in October (Sep: downwardly revised -0.8% m/m) but capital goods orders non-def ex air, a close proxy for future capex spending plans, jumped 0.5% following August's +0.3% m/m.
- The final University of Michigan Consumer Sentiment index was revised up 1.6ppts to 70.5 in October (Sep: 70.1), with upward revisions observed for both the current and expectations indices. This is the highest reading since April, lifted by modest improvements in buying conditions for durables due to easing interest rates. Year-ahead inflation expectations were unchanged at 2.7%, while the long-run inflation expectations edged down 0.1ppts to 3.0%.
- The Kansas City Fed Services Activity index rose modestly to +5 in October from -2 previously, driven by improved revenues, sales and employment sub-indices. Firm's expectations for future growth were more positive as well, amid a moderate increase in capital spending plans.

#### Eurozone's inflation expectations eased; supporting rate cut bets

- 1Y and 3Y inflation expectations eased more than expected to 2.4% and 2.1% respectively in September (prior: 2.7% and 2.3%), their lowest since September 2021 and February 2022 respectively. With expectations over future prices playing an important role in driving prices, this development supports policy makers who are advocating faster pace of rate cuts to support the economy and our view that the ECB will deliver another 25bps rate cut by the end of the year.

#### Singapore's manufacturing output decelerated less than expected

- Although better than expected, Singapore's industrial output eased to 9.8% y/y and was unchanged m/m in September (Prior: +6.9% m/m and +22.0% y/y) as electronics production returned to a far more modest level of growth (+1.9% y/y vs +50/0% y/y), while the volatile biomedical production also jumped 62.0% y/y (prior: -14.7% y/y).

#### House View and Forecasts

FX	This Week	4Q-24	1Q-25	2Q-25	3Q-25
DXY	102-106	101.56	100.54	99.53	99.04
EUR/USD	1.07-1.10	1.11	1.12	1.13	1.14
GBP/USD	1.28-1.31	1.33	1.35	1.36	1.37
USD/JPY	147-154	146	142	138	135
AUD/USD	0.65-0.68	0.68	0.69	0.70	0.71
USD/MYR	4.30-4.37	4.25	4.20	4.15	4.10
USD/SGD	1.30-1.33	1.31	1.29	1.27	1.25

  

Rates, %	Current	4Q-24	1Q-25	2Q-25	3Q-25
Fed	4.75-5.00	4.25-4.50	3.75-4.00	3.50-3.75	3.25-3.50

ECB	3.25	3.00	2.75	2.50	2.25
BOE	5.00	4.75	4.50	4.25	4.00
BOJ	0.25	0.25	0.40	0.40	0.55
RBA	4.35	4.35	4.10	3.85	3.60
BNM	3.00	3.00	3.00	3.00	3.00

Source: HLBB Global Markets Research

### Up Next

Date	Events	Prior
28-Oct	UK Lloyds Business Barometer (Oct)	47
	HK Exports YoY (Sep)	6.40%
	UK CBI Retailing Reported Sales (Oct)	4
	US Dallas Fed Manf. Activity (Oct)	-9
29-Oct	JN Jobless Rate (Sep)	2.50%
	UK Mortgage Approvals (Sep)	64.9k
	US Advance Goods Trade Balance (Sep)	-\$94.3b
	US FHFA House Price Index MoM (Aug)	0.10%
	US S&P CoreLogic CS US HPI YoY NSA (Aug)	4.96%
	US JOLTS Job Openings (Sep)	8040k
	US Conf. Board Consumer Confidence (Oct)	98.7
	US Dallas Fed Services Activity (Oct)	-2.6
20-30 Oct	SI Unemployment rate SA (Sep)	2.00%

Source: Bloomberg

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