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Global Markets Research

Daily Market Highlights

30 Aug: PCE prices up next for the US

UST yields & DXY jumped following the upgrade in 2Q GDP and lower jobless claims

German's DAX closed at record as CPI eased to 2.0%; MYR jumped on GST chatter

Moderate consumption and healthy labour market in Japan; Tokyo's inflation quickened

- Wall Street closed mixed overnight, with the Dow adding another 0.6% d/d to a fresh record close, S&P 500 closing flat while Nasdaq slid 0.2% d/d weighed down by AI darling Nvidia (-6.4% d/d). Nvidia continued to pose stellar results, but investors were nervous that the company's growth may be normalising. Meanwhile, earnings during and after the bell drove some big moves in individual stocks, further boosted by expectations that the economy will achieve a soft landing following the upward revisions in its 2Q GDP print and strong consumer spending data. Dollar General plunged after lowering its full year forecast, Lululemon Athletica also cut its outlook but Dell reported better than expected revenue.
- In Europe, Stoxx Eur 600 closed up 0.8% d/d while German's DAX closed at a record after data showed that its inflation slowed to ECB's target. Asian markets closed mixed but are expected to rebound today following the upbeat US data and the futures.
- The upward revision in 2Q GDP triggered a sell-off Treasuries and a jump in risk appetite, sending yields ticking up 2-3bps across the curve. The benchmark 2Y yield closed at 3.89% while the 10Y at 3.86%. 10Y European bond yields also increased at a narrow range of 0-3bps.
- DXY gained 0.3% d/d to 101.34 following the upgrade in US GDP and low jobless claims data, and the Dollar strengthened against all its regional peers save for the NZD, AUD and NOK (0-0.2% d/d). CHF, EUR and DKK (-0.4 to -0.6% d/d) lagged their peers, while on the regional front, Asian currencies strengthened against the Dollar save for the PHP and JPY (-0.3% d/d). MYR led gains at 0.8% d/d to 4.3110, amid chatter that the government is considering bringing back GST, closely followed by CNH (+0.5% d/d). SGD closed just above the flatline at 1.3031.
- Oil prices jumped 1.6-1.9% d/d on the robust US 2Q GDP, bolstering expectation that demand will hold strong and amid suspended oil exports from five eastern ports in Libya.

Low layoffs, solid 2Q signals a still resilient US economy

- The second reading of the 2Q GDP was revised up 0.2ppts to 3.0%, and marked an acceleration from 1Q's +1.4% q/q. The upward revision reflects a sharp upgrade in consumer spending growth (+0.6ppts to 2.9% q/q vs 1.5% q/q), but lower savings rate during the quarter (-0.2ppts to 3.3% vs 3.8%) suggests that consumers will have to start cutting back on spending going forward. Investment, government spending and net trade, on the other hand, were revised lower.
- For net trade, separate data showed that the goods trade deficit for the

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	41,335.05	0.59
S&P 500	5,591.96	0.00
NASDAQ	17,516.43	-0.23
Stoxx Eur 600	524.57	0.76
FTSE 100	8,379.64	0.43
Nikkei 225	38,362.53	-0.02
CSI 300	3,277.68	-0.27
Hang Seng	17,786.32	0.53
Straits Times	3,404.47	0.40
KLCI 30	1,653.55	-1.29
FX		
Dollar Index	101.34	0.25
EUR/USD	1.1077	-0.39
GBP/USD	1.3168	-0.17
USD/JPY	144.99	0.28
AUD/USD	0.6798	0.19
USD/CNH	7.0943	-0.54
USD/MYR	4.3110	-0.77
USD/SGD	1.3031	-0.03
Commodities		
WTI (\$/bbl)	75.91	1.87
Brent (\$/bbl)	79.94	1.64
Gold (\$/oz)	2,536.70	1.43
Copper (\$\$/MT)	9,244.00	-0.18
Aluminum(\$/MT)	2,457.50	-1.54
CPO (RM/tonne)	4,006.00	-0.50

Source: Bloomberg, HLBB Global Markets Research
* Dated as of 28 Aug for CPO

month of July widened more than expected to \$102.7bn (prior: -\$96.6bn), a 2-year high and will not bode well for GDP calculation at the start of 3Q. The higher deficit during the month reflects a surge in imports (2.3% m/m vs 0.8% m/m), which more than outpaced flat growth for exports (prior: 2.7% m/m). The surge in imports likely reflects US companies stocking up on inventory ahead of the dockworkers strike in October just before holiday shopping season, as well as some businesses trying to get ahead of the tariff hikes imposed on Chinese goods.

- In the labour market, initial jobless claims, thus layoffs, remained low but the uptick in continuing claims suggests that workers are finding it harder to find jobs. Jobless claims unexpectedly fell 2k to 231k for the week ended August 24 (prior: +5k), but continuing claims rose 13k to 1868k for the week ended August 17 (prior: -4k), albeit better than expected.
- July's Pending Home Sales index dropped more than expected by 5.5% m/m and 4.6% y/y (prior: +4.8% m/m and -7.8% y/y) to its lowest in record as buyers continued to be challenged on the affordability front while some adopted the wait-and-see attitude ahead of the presidential election.

Eurozone's economic confidence improved slightly but continues to point to sluggish growth

- August's Economic Sentiment Indicator (ESI) was higher than expected at 96.6 (vs: 96.0) and the Employment Expectations Indicator (+1.3ppts to 99.2) picked up more significantly after several months of decline. The latter, nonetheless remains below its longer-term average of 100 and the overall headline continues to point to sluggish growth for the bloc. The increase in the ESI reflected improved confidence in industry, services and retail trade and among the largest economies, for France and Spain.

UK's business barometer unexpectedly held steady

- Business confidence, using the Lloyds Business Barometer as a guide, unexpectedly held steady at 50 in August instead of retreating as expected. Sentiment was buoyed by improvement on the current economic optimism sub-index, which more than offset by the rest of the indicators, suggesting that businesses remained cautious overall.

Australia's capex spending unexpectedly fell 2.2% q/q but businesses revised their capex outlook up

- Lower capex spending on major engineering projects and transport infrastructure projects, as well as from the retail trade industry sent capex spending unexpectedly falling 2.2% q/q in 2Q (1Q: +1.9% q/q). Despite this, businesses remained positive in terms of their investment outlook and revised their expected capex spending up to +10.3% for 2024-25. The manufacturing industry, notably, is expecting a major rise next year with several large industrial projects ramping up investment

Japan's economy gaining some footing; Tokyo's inflation rate quickened

- Data released continued to show that the economy is finding a solid footing. Consumer confidence held steady at 36.7 in August, defying expectations for confidence to improve while the labour market remained healthy despite the unexpected uptick in jobless rate to 2.7% in July, from 2.5% previously. While retail sales slowed more than expected to +0.2% m/m in July (prior: +0.6% m/m), steady consumer sentiment, healthy labour market, the rise in wage growth as well as government's initiatives to support the cost of living will all

- lend support to expectations of moderate consumer spending going forward.
- On the industrial sector, production rebounded, albeit less than forecast to +2.8% m/m in July (prior: -4.2% m/m) with broad based growth observed for both the manufacturing and construction sectors.
 - In terms of prices, Tokyo's core inflation (excluding fresh) unexpectedly accelerated to 2.4% y/y in August from 2.2% y/y previously, getting a boost from higher energy prices due to low base effect. Services inflation, highly tracked by the central bank, also quickened supporting case for a monetary policy normalisation for the Bank of Japan going forward. As it is, market is pricing in a small probability of a hike later in the year.

House View and Forecasts

FX	This Week	3Q-24	4Q-24	1Q-25	2Q-25
DXY	100-103	102.41	100.87	99.86	98.86
EUR/USD	1.09-1.13	1.11	1.12	1.10	1.08
GBP/USD	1.29-1.33	1.29	1.30	1.30	1.29
USD/JPY	143-150	145	143	140	137
AUD/USD	0.65-0.69	0.66	0.66	0.67	0.68
USD/MYR	4.34-4.42	4.50	4.40	4.35	4.30
USD/SGD	1.30-1.33	1.33	1.32	1.30	1.28

Rates, %	Current	3Q-24	4Q-24	1Q-25	2Q-25
Fed	5.25-5.50	5.00-5.25	4.50-4.75	4.25-4.50	4.00-4.25
ECB	3.75	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
30-Aug	AU Private Sector Credit MoM (Jul)	0.60%
	HK Retail Sales Value YoY (Jul)	-9.70%
	UK Mortgage Approvals (Jul)	60.0k
	EC CPI Estimate YoY (Aug)	2.60%
	EC Unemployment Rate (Jul)	6.50%
	US Personal Income (Jul)	0.20%
	US Personal Spending (Jul)	0.30%
	US Core PCE Price Index YoY (Jul)	2.60%
	US MNI Chicago PMI (Aug)	45.3
	US U. of Mich. Sentiment (Aug F)	67.8
2-Sep	AU Judo Bank Australia PMI Mfg (Aug F)	48.7
	JN Capital Spending YoY (2Q)	6.80%
	JN Jibun Bank Japan PMI Mfg (Aug F)	49.5
	MA S&P Global Malaysia PMI Mfg (Aug)	49.7
	AU Melbourne Institute Inflation YoY (Aug)	2.80%
	AU Company Operating Profit QoQ (2Q)	-2.50%
	AU Building Approvals MoM (Jul)	-6.50%
	CH Caixin China PMI Mfg (Aug)	49.8
	EC HCOB Eurozone Manufacturing PMI (Aug F)	45.6
	UK S&P Global UK Manufacturing PMI (Aug F)	52.5
SI Purchasing Managers Index (Aug)	50.7	

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@hbb.hongleong.com.my

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