

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

## 30 Sep: Little surprises from US core PCE prints

**US headline PCE eased; core ticked higher; little change to Fed rate cut outlook**

**Equities traded mixed as markets weighed between the Fed and China**

**Bond yields and USD fell; JPY strengthened on LDP leadership outcome**

- Markets traded mixed heading into the weekend as investors continued to weigh between the Fed rate outlook and China's back-to-back line-up of fiscal plans and rate cuts. The Dow closed the day up 0.3% with gains in almost all sectors led by energy stocks, but the broader S&P500 and NASDAQ fell 0.1-0.4% d/d. Tech stocks were hit on news China is discouraging Chinese companies from buying Nvidia chips.
- European equities largely closed higher earlier while the Asian bourses saw mixed performances with China and Hong Kong continued rallying, clocking in a further 4.5% and 3.6% gain on the day respectively, and was up 13.3-16.3% w/w. Futures showed Asian markets are poised for a generally positive opening this morning, with further rally in China equities before the market closes for its week-long Golden Week holiday from 1-October.
- Bonds took a breather from recent selloff to trade broadly higher on Friday, pushing yields lower. US treasury yields fell 3-7bps across the curve in a steepening bias. 2-year note yield fell 7bps to 3.56% while 10-year bond yields shed 5bps to 3.75%. 10-year European bonds yields lost between 2-6bps, with the UK gilt last closed at 3.98% (-3bps) and German bund at 2.13% (-5bps).
- In the FX space, the Dollar Index weakened for a 2<sup>nd</sup> straight day, down by 0.1% to 100.42 as at Friday's close, bouncing back from an intraday low of 100.16 hit after the release of core PCE and personal income/ spending data. The lower DXY was dragged by a surging JPY that strengthened 1.8% on the day to 142.21 as Shigeru Ishiba who is seen as supporting the BOJ's gradual rate hike plan, emerged as the LDP leader. Other G10s that strengthened against the USD were CHF, NOK, SEK, NZD and AUD. In the region, most Asian currencies continued outperforming the greenback, including the MYR that reversed prior day's correction to a gain of 0.5% on Friday, closing at 4.1255. The SGD advanced 0.2% d/d to 1.2810 while the CNH consolidated and weakened 0.1% to 6.9816, below the 7.00 for the 2<sup>nd</sup> straight day, and hovering near its strongest level since Apr-23 nonetheless.
- On the commodity front, oil prices increased again for the first day in three, spurred by a flare-up in geopolitical risk in the Middle-east. WTI rose 1.8% d/d to \$68.64/ barrel while Brent increased 1.4% d/d to \$72.45/ barrel.

**Key Market Metrics**

	Level	d/d (%)
<b>Equities</b>		
Dow Jones	42,313.00	0.33
S&P 500	5,738.17	-0.13
NASDAQ	18,119.59	-0.39
Stoxx Eur 600	528.08	0.47
FTSE 100	8,320.76	0.43
Nikkei 225	39,829.56	2.32
CSI 300	3,703.69	4.47
Hang Seng	20,632.30	3.55
Straits Times	3,573.36	-0.25
KLCI 30	1,660.09	-0.67
<b>FX</b>		
Dollar Index	100.42	-0.14
EUR/USD	1.1162	-0.13
GBP/USD	1.3374	-0.31
USD/JPY	142.21	-1.80
AUD/USD	0.6903	0.10
USD/CNH	6.9816	0.12
USD/MYR	4.1255	-0.49
USD/SGD	1.2810	-0.17
<b>Commodities</b>		
WTI (\$/bbl)	68.64	1.75
Brent (\$/bbl)	72.45	1.44
Gold (\$/oz)	2,649.90	-0.78
Copper (\$\$/MT)	9,973.50	-1.15
Aluminum(\$/MT)	2,633.00	0.44
CPO (RM/tonne)	4,182.00	1.84

Source: Bloomberg, HLBB Global Markets Research  
\* Dated as of 26 Sep for CPO

**No surprises from US core PCE; slower growth in personal income & spending**

- Headline PCE eased slightly more than expected to 2.2% y/y in August (Jul: +2.5% y/y) while core PCE edged up a notch to 2.7% y/y (Jul: +2.6% y/y), as expected. On a month-on-month basis, both prints eased from +0.2% to +0.1%. Meanwhile, both personal income and spending registered slower

increases of 0.2% m/m in August, slowing from +0.3% m/m (income) and +0.5% m/m (spending) in July. The sticky core PCE underpinned by services inflation should keep the Fed on a gradual rate cut path. Futures pricing was little changed after the release of the report, with 77bps priced in by end of the year (prior: 74bps).

- In a separate release, final print showed University of Michigan consumer sentiments rose for the second straight month to a 5-month high, and by more than expected to 70.1 in September (Aug: 67.9), as consumers became more optimistic on future economic outlook. The expectations index improving more than initially expected to 74.4 (Aug: 72.1). 1Y and 3Y inflation expectations were seen stabilized at 2.7% and 3.1% respectively. Steady inflation expectations will support the narration that the Fed is in no hurry to cut.

#### **Eurozone economic confidence and inflation expectations both moderated**

- Economic confidence softened more than expected to 96.2 in September (Aug: 96.5), as consumer (-12.9) and industrial (-10.9) confidence remained downbeat, the former marked some improvement but confidence of the industrial sector saw a deeper contraction. Services confidence on the other hand unexpectedly picked up (from 6.4 to 6.7). All these point to overall pessimism in the Eurozone economy albeit at varying degree cross sectors. In a separate release, 1Y and 3Y CPI expectations slipped 0.1ppt to 2.7% and 2.3% y/y, its lowest in about 3 and 2.5 years respectively, laying the ground for further ECB cut. Our house view calls for one more 25bps cut for the year.

#### **Pick-up in Japan leading index signalled continued growth ahead**

- Final print of the leading index came in a tad lower than the preliminary estimates, at 109.3 in July, but this still marked an improvement from June's 109.1, signalling continued growth in the Japanese economy in the next 3-6 months. The increase in July was led by stock prices, housing starts, and consumer confidence, which more than offset declines in machinery orders, small business sales forecast, producers' final demand and new job offers. In tandem, the coincident index also improved to 117.2 in July (Jun: 114.1).

#### **China industrial profits plunged in a latest sign of a fast-sloding China economy**

- Industrial profits plunged 17.8% y/y in August (Jul: +4.1% y/y), its biggest decline since last April. Profits from the mining sectors, specifically coal, continued to decline while profits from the manufacturers slowed sharply. This narrowed YTD gain to a mere 0.5% y/y (YTD Jul: +3.6% y/y), adding more woes to the already fast-sloding China economy. The broad-based slowdown in August prompted massive stimulus from both the fiscal and monetary front, and showed a sign of urgency from the government to revive the slump.

#### **House View and Forecasts**

<b>FX</b>	<b>This Week</b>	<b>3Q-24</b>	<b>4Q-24</b>	<b>1Q-25</b>	<b>2Q-25</b>
DX	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	1.32-1.35	1.29	1.30	1.30	1.29
USD/JPY	142-147	145	143	140	137
AUD/USD	0.67-0.70	0.66	0.66	0.67	0.68
USD/MYR	4.10-4.20	4.50	4.40	4.35	4.30
USD/SGD	1.27-1.30	1.33	1.32	1.30	1.28

<b>Rates, %</b>	<b>Current</b>	<b>3Q-24</b>	<b>4Q-24</b>	<b>1Q-25</b>	<b>2Q-25</b>
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
27-Sep	JN Industrial Production MoM (Aug P)	3.10%
	JN Retail Sales YoY (Aug)	2.60%
	JN Dept. Store, Supermarket Sales YoY (Aug)	1.10%
	CH Manufacturing PMI (Sep)	49.1
	CH Non-manufacturing PMI (Sep)	50.3
	CH Caixin China PMI Mfg (Sep)	50.4
	CH Caixin China PMI Services (Sep)	51.6
	JN Housing Starts YoY (Aug)	-0.20%
	UK Nationwide House PX MoM (Sep)	-0.20%
	UK GDP QoQ (2Q F)	0.60%
	UK Net Consumer Credit (Aug)	1.2b
	UK Mortgage Approvals (Aug)	62.0k
	US MNI Chicago PMI (Sep)	46.1
	US Dallas Fed Manf. Activity (Sep)	-9.7
30-Sep	AU Judo Bank Australia PMI Mfg (Sep F)	46.7
	JN Jobless Rate (Aug)	2.70%
	JN surveys (3Q)	--
	JN Jibun Bank Japan PMI Mfg (Sep F)	49.6
	MA S&P Global Malaysia PMI Mfg (Sep)	49.7
	VN S&P Global Vietnam PMI Mfg (Sep)	52.4
	AU Building Approvals MoM (Aug)	10.40%
	AU Retail Sales MoM (Aug)	0.00%
	EC HCOB Eurozone Manufacturing PMI (Sep F)	44.8
	UK S&P Global UK Manufacturing PMI (Sep F)	51.5
	EC CPI Estimate YoY (Sep)	2.20%
	US S&P Global US Manufacturing PMI (Sep F)	47.0
	US Construction Spending MoM (Aug)	-0.30%
	US JOLTS Job Openings (Aug)	7673k
US ISM Manufacturing (Sep)	47.2	
US Dallas Fed Services Activity (Sep)	-7.7	

Source: Bloomberg

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