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Global Markets Research

Daily Market Highlights

15 Oct: Hotter than expected US core inflation

Sell-off in tech stocks and worries over higher Fed rates weighed on US equities

Traders upped rate hike bets; 2Y UST yield and DXY closed up post CPI print

Pick-up in producer and consumer prices, robust export growth for China

- US stocks had its worst day since July, as a sell-off in tech stocks and worries over higher Fed rates following the hotter than expected inflation print dampened mood in the markets. Nasdaq bore the brunt of the sell-off, trending down 1.9% d/d. The S&P 500 fell 1.1% d/d, while the Dow inched 0.1% d/d lower.
- Losses were rather broad based, albeit with gains in defensive stocks like healthcare and consumer staples, as well as energy stocks, the latter as the Brent (\$106.06/barrel) and WTI (\$95.09/barrel) jumped 0.4-1.0% after the IEA warned that energy will remain tight into 2027, and as Houthis rebels continued to strike Saudi Arabia, including a hit on Aramco's headquarters.
- In the bond space, short dated treasuries slumped after the hotter than expected inflation print saw traders adding to wagers for Fed rate hike this month. Yields to the 2Y jumped to as high as 4.95%, but eased to close the day just 1bps higher at 4.80%. The 10Y yield, on the other hand, fell 2bps to 5.19%.
- In Europe, yields to the 2Y were mostly lower in tune to 1-5bps, while yields to the 10Y closed mixed between +/-4bps. Stoxx 600 rose 0.4% d/d with investors piling up on defensive stocks, while most Asian bourses closed in red, with the Nikkei 225, Hang Seng and CSI tumbling 0.1-1.4% d/d.
- The Dollar strengthened against most of its G10 peers and the DXY closed the day 0.3% d/d higher at 102.53, albeit off its intraday peak at 102.95. SEK (-0.6% d/d) and GBP (-0.5% d/d to 1.3193) led losses against the greenback, the latter as BOE's Huw Pill cast doubts on market bets for 4 rate hikes by next summer, and ahead of UK's GDP print later today. EUR and AUD weakened 0.2-0.4% d/d to 1.1157 and 0.6972, while JPY closed flattish at 158.33.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	51,621.48	-0.09
S&P 500	7,718.94	-1.11
NASDAQ	26,692.87	-1.88
Stoxx Eur 600	637.75	0.43
FTSE 100	10,724.86	0.70
Nikkei 225	67,744.29	-0.05
CSI 300	4,217.68	-1.36
Hang Seng	24,314.17	-0.13
Straits Times	5,423.33	-0.13
KLCI 30	1,627.72	0.27
FX		
Dollar Index	102.53	0.34
EUR/USD	1.1157	-0.38
GBP/USD	1.3193	-0.47
USD/JPY	158.33	0.00
AUD/USD	0.6972	-0.17
USD/CNH	6.6960	0.05
USD/MYR	4.0820	-0.07
USD/SGD	1.2854	0.43
USD/KHR	4,067.75	-0.03
USD/THB	33.58	-0.10
Commodities		
WTI (\$/bbl)	95.09	1.01
Brent (\$/bbl)	106.06	0.35
Gold (\$/oz)	4,084.80	-1.64
Copper (\$/MT)	14,490.50	-0.60
Aluminum(\$/MT)	2,987.50	-1.69
CPO (RM/MT)	4,427.00	0.66

Source: Bloomberg, HL Bank

- JPY will nonetheless be well supported by the stronger than expected Japan core machine orders for August (5.2% m/m vs -3.7% m/m), driven by rebound in both manufacturing and non-manufacturing orders.
- On the regional front, SGD (-0.4% d/d to 1.2854) underperformed its peers after the MAS unexpectedly maintained its policy stance, while CNH depreciated 0.1% d/d to 6.6960 despite a slew of improved economic indicators. MYR appreciated 0.1% d/d to 4.0820.

Fed Beige Book: Firms have maintained a slightly positive outlook; hotter than expected core-CPI saw traders piling rate hike bets

- Highlights to the latest Beige Book include: 1) Since the prior Beige Book, 9 of the 12 Fed districts reported slight-to-moderate growth in economic activities, while 3 reported no significant change (previous Beige Book: 10 and 2). 2) Robust, broad-based growth in manufacturing led the moderate growth in the Dallas region, and while not as robust, another 6 reported modest-to-moderate growth and 5 noted little/no growth. 3) Reports on other sectors signal little growth overall. 4) On the demand side, most districts reported little/no change in overall consumer spending, with more than half of the auto contacts noting flat-to -modestly lower sales and consumer spending that was driven by high-income households. 5) Firms have mostly maintained a positive outlook, but expectations were tilted to slight growth.
- Data wise, headline CPI came in at 0.6% m/m and 3.7% y/y (prior: 0.4% m/m and 3.4% y/y), while core was a tad higher than expected at 0.3% m/m and 2.6% y/y (0.3% m/m and 2.4% y/y). Gasoline prices jumped 9.1% m/m, accounting for over half of the monthly price gains, shelter costs also picked up, but there were pockets of weakness such as food and medical care. In aggregate, the hotter than expected core is in line with our view of two more rate hikes, but with wage growth (real average weekly earnings: -0.1% y/y vs 0.4% m/m) trending down and housing market languishing, the scope for further hikes remains limited in our view.
- Separate data also showed that mortgage applications fell 2.7% w/w for the week ended October 9 (prior: -4.2% w/w) as elevated mortgage rates (7.50%) dragged on purchases for the sixth week.

China's exports soared; highest PPI since 2022

- From China, September saw exports soaring more than expected by 36.3% y/y (prior: 25.0% y/y), with the AI boom continuing to drive strong demand for China's tech products, while traditional sectors like clothing, furniture and toys continue to languish.
- On the domestic front, aggregate financing grew more than expected by 3.6tn yuan to 27.5tn yuan, picking up from August's poor performance, boosted by bigger sales of government bonds while borrowing by households remained weak.
- On the price front, higher fuel and coal prices pushed PPI up more than expected to its strongest since 2022 at 5.0% y/y (prior: 3.8% y/y). CPI was a tad softer than expected at 0.9% y/y (prior: 0.8% y/y), as a pick-up in gasoline costs offset a wider drop in food prices.
- All in all, energy shocks and strong demand for AI hardware have largely boosted both prices and the economy, but outside of these, weak domestic demand continues to grip both. The recent policy support rollouts will nonetheless support domestic demand, likely to narrow the imbalances in 2027 and on the price front, the deflationary environment is likely to fade further, albeit unevenly.

House View and Forecasts

FX	This Week	4Q-26	1Q-27	2Q-27	3Q-27
DX	101-104	102.22	100.87	99.53	98.21
EUR/USD	1.11-1.14	1.12	1.14	1.16	1.18
GBP/USD	1.31-1.34	1.31	1.32	1.33	1.34
USD/CHF	0.81-0.85	0.79	0.80	0.81	0.84
USD/JPY	156-160	157	155	153	150
AUD/USD	0.68-0.71	0.69	0.69	0.70	0.70
NZD/USD	0.55-0.58	0.58	0.57	0.57	0.56
USD/CNY	6.68-6.72	6.74	6.67	6.61	6.54
USD/MYR	4.07-4.12	4.12	4.07	4.02	3.97
USD/SGD	1.27-1.30	1.29	1.27	1.25	1.23
USD/THB	33.30-33.80	33.0	33.0	33.0	32.8

FX	Last close	4Q-26	1Q-27	2Q-27	3Q-27
SGD/MYR	3.1849	3.20	3.21	3.22	3.23
EUR/SGD	1.4338	1.45	1.45	1.45	1.45
GBP/SGD	1.6960	1.69	1.68	1.66	1.65
AUD/SGD	0.8962	0.89	0.88	0.87	0.86

Rates, %	Current	4Q26	1Q27	2Q27	3Q27
Fed	3.75-4.00	4.00-4.25	4.25-4.50	4.25-4.50	4.25-4.50

ECB	2.50	2.75	2.75	2.75	2.75
BOE	3.75	3.75	3.75	3.75	3.75
SNB	0.00	0.00	0.00	0.00	0.00
BOJ	1.25	1.25	1.50	1.50	1.75
RBA	4.60	4.60	4.60	4.60	4.60
RBNZ	2.75	3.00	3.00	3.00	3.00
BNM	2.75	2.75	3.00	3.00	3.00

Source: HL Bank

Up Next

Date	Events	
15-Oct	AU Employment Change (Sep)	39.5k
	AU Unemployment Rate (Sep)	4.60%
	UK Monthly GDP (MoM) (Aug)	0.40%
	EC Industrial Production SA MoM (Aug)	-0.10%
	US Retail Sales Advance MoM (Sep)	1.20%
	US Philadelphia Fed Business Outlook (Oct)	37.8
	US Initial Jobless Claims (10-Oct)	197k
	US PPI Final Demand YoY (Sep)	5.40%
16-Oct	SI Non-oil Domestic Exports YoY (Sep)	46.20%
	MA GDP YoY (3Q A)	6.00%
	EC Trade Balance SA (Aug)	5.0b
	US New York Fed Services Business Activity (Oct)	-8.7
	US Import Price Index YoY (Sep)	7.00%
	US Industrial Production MoM (Sep)	0.00%

Source: Bloomberg



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