

Market Watch

As of October 2024



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What's Been Happening

Global

Gold reached another record high of USD 2,787 on October 30th, driven by increased safe-haven demand amid global political uncertainty. With the U.S. presidential election approaching its peak on November 5th, the uncertain political climate, heightened geopolitical tensions, and recent Fed rate cuts have helped to create the conditions for gold prices to soar.

On the geopolitical front, Hamas leader Yahya Sinwar was killed in an Israeli airstrike on October 16th. Following his death, Hamas has decided to delay appointing a successor until its internal elections, set for March 2025. In the meantime, the group will be governed by a committee formed in August after the assassination of its political leader, Ismail Haniyeh, in Tehran.

US

The Consumer Price Index (CPI) in September rose by 0.2% MoM and 2.4% YoY, slightly higher than expected, but cooled from the 2.5% YoY rise in August. This implies continued progress toward the Fed's 2% inflation goal. However, core CPI (excluding food and energy) rose 0.3% MoM and 3.3% YoY, up from 3.2% YoY in August. Such uptick in core CPI could lead to Fed to take a more cautious approach to rate cuts after slashing its key rates by 50 bps in its September meeting. Meanwhile, the U.S. Personal Consumption Expenditures (PCE) price index cooled to 2.1% in September, down from 2.3% in August, likely keeping the Fed on track for additional rate cuts in the upcoming November 7th meeting.

UK

The UK inflation rate dropped sharply to 1.7% year-over-year in September, down from 2.2% in August, marking the first time in over three years it has fallen below the Bank of England's 2% target. This decrease was largely due to lower airfares and petrol prices. The report suggests a rate cut at the upcoming monetary policy meeting in November is now highly probable.

Singapore

The headline inflation rate in Singapore eased to 2% YoY in September from 2.2% in August due to a fall in private transport costs from the larger decline in car prices and lower petrol prices. On a MoM basis, the CPI rose by 0.3%. However, the Monetary Authority of Singapore (MAS) core inflation (excluding accommodation and housing) expanded to 2.8% YoY from 2.7% YoY in August. This was driven by higher retail costs.



Global Benchmark Rates

	As of 30 October	As of 30 September
US (The Federal Reserve)	5.00%	5.50%
UK (Bank of England)	5.00%	5.00%
MAS 3 month	3.24%	3.17%

FX Rates

	As of 30 October 2024	1 WK (%)	1 MTH (%)	YTD (%)
USD/SGD	1.3223	(0.05)	2.90	(0.25)
EUR/SGD	1.4357	0.64	0.34	(1.02)
GBP/SGD	1.7140	0.26	(0.28)	2.40
AUD/SGD	0.8693	(0.95)	(2.15)	(3.06)
NZD/SGD	0.7899	(0.58)	(3.19)	(4.75)
CAD/SGD	0.9512	(0.52)	0.12	(4.49)
JPY/SGD	0.8623	(0.45)	(3.61)	(7.72)
CHF/SGD	1.5262	(0.059)	0.43	(2.17)
HKD/SGD	0.1702	(0.059)	2.90	0.24
SAR/SGD	0.3521	(0.057)	2.80	(0.48)
MYR/SGD	0.3019	(0.69)	(2.99)	4.79
AED/SGD	0.3600	(0.11)	2.86	(0.36)



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FX News

The USD is experiencing continued selling pressure, primarily due to weaker-than-expected Nonfarm Payrolls (NFP) data and uncertainty surrounding the upcoming US presidential election. These factors have contributed to the USD Index dropping below the 104.00 level, as traders anticipate the Federal Reserve will implement another rate cut in November. The Fed, having already reduced rates by 50 basis points in September, is now expected to ease further with a 25 basis point cut. Market expectations for this outcome have reached a 97% probability, which has softened demand for the USD as traders position for an easing environment.

Meanwhile, the political landscape adds another layer of volatility to the USD outlook. A Trump re-election could drive USD strength due to anticipated pro-inflationary policies, including tighter immigration, tax cuts, and higher tariffs—all factors that may push up inflation and US Treasury bond yields. Kamala Harris, viewed as a continuity candidate, is expected to maintain current policy directions with less impact on inflation. Analysts suggest that a Trump victory might provide temporary USD support, but much of this outcome may already be priced in.

Across the Atlantic, the Bank of England (BoE) is expected to announce a second rate cut this year, lowering the policy rate to 4.75% on the back of inflation concerns tied to Labour's proposed budget. The anticipated dovish action by the BoE has limited GBP strength, contributing to a more favorable position for the USD in the GBP/USD pair.

FX Outlook

With the Fed likely to implement another rate cut and the US presidential election creating an uncertain landscape, the USD's outlook is mixed. In the near term, further Fed rate cuts could sustain USD softness, especially if dovish policies continue into 2024. Markets are heavily focused on how the election outcome will impact the USD; Trump's policies are seen as USD-positive, especially if they reignite inflationary pressures and boost bond yields, while Harris's approach is anticipated to maintain steady, current policies. However, any boost to the USD from a Trump victory may already be factored into current prices, potentially tempering the dollar's upside.

The GBP/USD pair reflects this cautious sentiment, with limited gains near 1.2970 as USD uncertainty and dovish Fed expectations persist. Should the Fed implement its expected 25 basis point cut, USD softness may be reinforced, allowing GBP/USD to sustain its current range with an upward bias. A Trump win could offer temporary USD support, though election-driven volatility may limit gains. Traders are thus likely to remain watchful of Fed guidance and election developments, as both could influence the USD trajectory in the weeks ahead, with GBP/USD remaining in a 1.2950-1.3000 range until clear policy and political direction are established.



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Looking Ahead

- Geopolitical tensions are expected to escalate following the death of Hamas leader Yahya Sinwar, which represents a significant victory for Israel. Additionally, pressure is mounting ahead of the U.S. election, as Israeli leaders aim to consolidate strategic gains, reshape the regional landscape in their favor, and bolster their borders against potential future attacks.
- In the US, following the September core PCE inflation data, the market is anticipating a 96% probability of a quarter-point rate cut at the Federal Reserve's meeting on November 7th. Furthermore, the robust growth and persistent inflation data have created the potential for a pause in rate adjustments during the December meeting.
- In the UK, additional interest rate cuts are anticipated in the coming months, especially following the significant decline in inflation in September. The market is factoring in a 25 basis point rate cut at the next BOE meeting in November, with the base rate expected to reach 4.5% by the end of the year.
- In Singapore, following a slight rise in core CPI in September, the MAS expects core inflation to continue its gradual moderation, reaching 2% by the end of the year. Additionally, core inflation is projected to average between 2.5% and 2% for the entirety of 2024 and decline to a range of 1.5% to 2.5% in 2025. The anticipated decrease in accommodation inflation next year, due to moderating leasing demand, is expected to partially offset a projected increase in private transport inflation, which remains strong due to sustained demand for cars.

Source: Bloomberg and Reuters

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