Market Watch

As of July 2024

What's Been Happening

Global

President Joe Biden, following a distinguished five-decade political career, has announced his withdrawal from the 2024 presidential race. He has endorsed Vice President Kamala Harris as the Democratic nominee. According to recent polls, Harris holds a narrow lead of one percentage point over Republican candidate Donald Trump, with Harris at 43% and Trump at 42%. The survey indicates that registered voters favor Trump's policies on the economy, immigration, and crime, while they consider Harris to have a superior plan for healthcare.

On July 31, 2024, Hamas political leader Ismail Haniyeh was assassinated in Tehran with an explosive device planted months earlier by Israel. This event has intensified fears of a wider war and dampened hopes for a cease-fire. The assassination occurred shortly after Israeli Prime Minister Benjamin Netanyahu's visit to Washington.

US

The US Fed Reserve Federal Open Market Committee (FOMC) meeting concluded on the 31st July 2024 with the announcement that the FOMC has held its benchmark funds rate steady at 5.25% - 5.50%. The decision to hold came despite CPI prints showing that the US inflation is falling, with June CPI at 3.0% from 3.30% in May though it remains above the 2.0% target rate.

UK

Britain's inflation rate held steady in June. CPI was unchanged at 2.0% in June from the same level in May, compared with market forecasts of 1.90%. Reports further show that retailers had suffered a fall in sales in July due to bad weather and poor general trading conditions.

Singapore

Singapore's key consumer price stood at 4.2% in June easing from 4.7% in May, matching economists forecasts. Singapore's labor market continued to grow in the second quarter, with total employment rising and unemployment rates staying low. Second-quarter growth was driven entirely by a rise in employment among non-residents, primarily in roles in construction and manufacturing

Global Benchmark Rates

	As of 31 July	As of 28 June
US (The Federal Reserve)	5.50%	5.50%
UK (Bank of England)	5.25%	5.25%
MAS 3 month	3.47%	3.58%

FX Rates

	As of 31 July 2024	1 WK (%)	1 MTH (%)	YTD (%)
USD/SGD	1.3360	(0.55)	(1.47)	1.19
EUR/SGD	1.4460	(0.68)	(0.44)	(0.96)
GBP/SGD	1.7180	(0.95)	0.17	2.24
AUD/SGD	0.8740	(1.15)	(3.37)	(2.75)
NZD/SGD	0.7950	(0.21)	(3.75)	(4.64)
CAD/SGD	0.9680	(0.54)	(2.40)	(2.83)
JPY/SGD	0.8910	2.00	5.67	(4.81)
CHF/SGD	1.5210	0.25	0.83	(2.97)
HKD/SGD	0.1710	(0.58)	(1.55)	1.24
SAR/SGD	0.3560	(0.56)	(1.49)	1.19
MYR/SGD	0.2910	1.25	1.29	1.39
AED/SGD	0.3640	(0.55)	(1.46)	1.25

TAIB

FX News

The USD/SGD declined following Chair Powell dovish comments hinting on September rate cut during his press conference if inflation continues to decline or there is unexpectedly sharp weakness in the labour market. Policymakers think the labour market is normalising gradually for now and the Fed sees disinflation and a still solid economy which sets the stage for dialling back restrictive monetary policy. The FOMC, at its July meeting, left the federal funds rate unchanged in a range of 5.25% to 5.50%. The initial signs of disinflation are beginning to surface in the US economic outlook, further strengthening the market's expectations for a September rate cut.

The GBP/USD weakened ahead of Bank of England's (BoE) rate decisions outcome this coming Thursday (1 August). Signs that inflationary pressures are receding globally have been fueling speculations that the UK central bank will cut interest rates later today. Financial markets are pricing in over a 65% chance that the BoE will lower rates from a 16-year high of 5.25% and expect one more quarter-point cut before the end of the year. The focus will remain on the accompanying monetary policy statement and BoE Governor Andrew Bailey's comments at the post-meeting press conference.

The EUR/USD strengthened as Eurozone inflation grew more than expected in July while investors had anticipated that the ECB would reduce interest rates two more times this year. However, stubborn inflation data suggests that price pressures will face several bumps in their sustainable return towards 2%, which is expected in 2025. The headline HICP unexpectedly rose to 2.6%, while economists expected the inflation figure to decelerate to 2.4% from June's reading of 2.5%. The Euro may attract some buyers due to the diminished odds of the ECB cutting interest rates at its meeting on September 14.

FX Outlook

The Fed is set to dial back its restrictive monetary policy stance in September barring surprises. However, downside risks remain, stemming from rising Middle East tensions and an associated rise in oil prices, as well as uncertainty from the US presidential election. Despite the heightened chances of a rate cut in September by the Fed, the solid status of the US economy led to demands for more data by Chair Jerome Powell before proceeding with the cut, which slightly reduced the odds of a cut in September. Conversely, the latest inflation report in the eurozone raised doubt on potential European Central Bank (ECB) interest rate cuts in September.

Looking Ahead

- Despite the slower job growth, Jerome Powell US Fed Chair expressed confidence in the overall stability of the US economy, supported by moderated inflation. The US Fed Reserve hinted at a potential rate cut in the coming months, signaling a shift in its monetary policy, suggesting that a rate cut could be on the table if economic data continues to improve.
- The Bank of England (BoE) is expected to cut their interest rates for the first time since March 2020 in their next meeting on 1st August. This aligns with the majority of economists' polls, with financial markets indicating just over a 60% probability. Key interest rates are anticipated to be at 5% following a 25 basis points cut.
- Economists are generally expecting MAS to maintain monetary policy settings unchanged in the next review in October on a still elevated but easing inflation. Looking ahead, the ministry said it expects the labor market momentum to be sustained in the coming quarters in tandem with Singapore's forecasted economic growth.

Source: Bloomberg and Reuters