

Global Markets Research

Daily Market Highlights

## 2 Dec: New round of tariffs on solar panels from the US

Global chip stocks lifted by news that China curbs will be less prohibitive than anticipated

DXY back below 106 amid lower UST yields; JPY back below 150 against USD

EUR strengthened after headline inflation accelerated due to energy; core held steady

- Global equities broadly rose, with semiconductor stocks rallying amid reports that additional US curbs on sales of chip technology to China will not be as prohibitive as previously anticipated. It should however be noted that US trade officials announced **a new round of tariffs on solar panel imports from Malaysia, Cambodia, Vietnam and Thailand**, (between 21-271% depending on the company deemed dumping their solar panels on the US) over the weekend. This comes after American manufacturers complained that companies there are flooding the market with unfairly cheap goods.
- In the US, the Dow and S&P 500 rallied 0.4-0.6% d/d to new highs, while Nasdaq jumped 0.8% d/d, with shares from Lam Research to Nvidia and Applied Research being notable gainers during the day. In Europe, Stoxx Eur 600 closed up 0.6% d/d, while France's CAC 40 gained 0.8% d/d despite the ongoing political turmoil. Asian markets closed mixed, with Nikkei 225 tumbling 0.3% d/d after Tokyo's higher than expected inflation data, but are poised to open higher today following futures.
- In the bond space, Treasuries rose in a holiday shortened session, with help from month-end rebalancing. The 2Y yield fell sharply by 8bps to 4.15%, while the 10Y dropped 10bps to 4.17%. 10Y European bond yields declined another 3-7bps, after falling between 1-7bps the prior day.
- In the forex space, the US Dollar was under pressure amid lower UST yields, and the DXY closed down 0.3% d/d at 105.74. JPY (+1.2% d/d) outperformed its G10 and regional peers and breached below the key 150-level against greenback, its strongest since October after Tokyo's inflation came in hotter than expected, and after BOJ Governor Kazuo Ueda commented that rate hikes are approaching. EUR, GBP and AUD also appreciated, albeit at a lesser pace between 0.2-0.4% d/d against USD. Meanwhile, THB and SGD (+0.3% d/d to 1.3395) led gains in the region, but MYR weakened 0.1% d/d to 4.4475.
- In the commodity space, crude oil prices declined 0.5-1.1% d/d lower amid uncertainty over OPEC+'s production plans and the sustainability of a truce between Israel and Lebanon-based Hezbollah, the latter after both sides have made accusations of ceasefire violations.

### Eurozone's headline accelerated due to energy; core held steady

- Eurozone inflation ticked up to 2.3% y/y in November (prior: 2.0% y/y) as expected, primarily due to effects from the energy market, but core held steady and was below street estimate at 2.7% y/y and thus, unlikely to deter officials from continuing with its easing path in December and beyond. This is echoed in the OIS, with markets pencilling in certainty that the ECB will deliver a 25bps rate cut in the December ECB meeting.
- ECB's Vice President Luis De Guindos commented that the headline was expected, but continued to flag caution on services, but dovish policymakers,

### Key Market Metrics

	Level	d/d (%)
<b>Equities</b>		
Dow Jones	44,910.65	0.42
S&P 500	6,032.38	0.56
NASDAQ	19,218.17	0.83
Stoxx Eur 600	510.25	0.58
FTSE 100	8,287.30	0.07
Nikkei 225	38,208.03	-0.37
CSI 300	3,916.58	1.14
Hang Seng	19,423.61	0.29
Straits Times	3,739.29	0.05
KLCI 30	1,594.29	-0.20
<b>FX</b>		
Dollar Index	105.74	-0.29
EUR/USD	1.0577	0.24
GBP/USD	1.2735	0.38
USD/JPY	149.77	-1.17
AUD/USD	0.6512	0.20
USD/CNH	7.2491	-0.01
USD/MYR	4.4475	0.05
USD/SGD	1.3395	-0.27
<b>Commodities</b>		
WTI (\$/bbl)	68.00 <span style="color: green;">▲</span>	-1.05
Brent (\$/bbl)	72.94	-0.46
Gold (\$/oz)	2,657.00 <span style="color: green;">▲</span>	0.65
Copper (\$\$/MT)	9,010.50	0.09
Aluminum(\$/MT)	2,594.00	-0.19
CPO (RM/tonne)	5,001.00	1.14

Source: Bloomberg, HL Bank

\* CPO dated as of 28 November

such as Greece's Yannis Stournaras and Portugal's Mario Centeno, have flagged concerns that a weakening economy could risk inflation undershooting the 2.00% goal. This echoes investors' concerns, with the ECB's median expectations for inflation 3Y ahead at 2.1%, its lowest level since February 2022.

#### **UK's mortgage approvals hit 2-year high**

- The number of mortgage approvals hit a 2-year high of 68.3k in October (prior: 661.k) as buyers shrugged off anxiety over the Autumn Budget and persistently elevated interest rates. The data was better than expected suggesting a still resilient housing market, but could face headwinds going forward as sentiment turned negative with most lenders pencilling in fewer rate cuts and thus, higher mortgage rates in the weeks following the budget.

#### **Australia's lending to businesses unexpectedly picked up; final S&P manufacturing left unchanged at 49.4**

- Mixed data from Australia. Private sector credit unexpectedly picked up to +0.6% m/m in October from +0.5% m/m previously, as lending to businesses accelerated and more than offset steady demand for housing and softer lending for personal uses, while the final S&P Manufacturing PMI for November was left unchanged at 49.4 (Oct: 47.3). While tight monetary policy settings and subdued market conditions continued to dampen performance in the manufacturing sector, firms were more optimistic about future output and raised their workforce capacity. On the price front, the Melbourne Institute inflation gauge eased to 2.9% y/y in November from 3.0% y/y.

#### **Slightly improved consumer confidence for Japan; jump in capital spending all bodes well for tighter policy stance**

- Upbeat numbers from Japan, reaffirming signs of confidence that the economy is recovering on both the consumer and business front and boding well for BOJ's tighter stance going forward. Capex spending improved for the second quarter to +8.1% y/y in 3Q from +7.4% y/y previously, while consumer confidence rebounded to 36.4 in November from 36.2 previously.

#### **Steady composite PMI China; improving for manufacturing, flat growth for non-manufacturing**

- Official composite PMI continued to show signs of stabilisation if not recovery for China's economy, but will face headwinds from threats of tariffs from the US going forward for the manufacturing sector. Its composite PMI held steady at 50.8 in November, with the manufacturing sector improving more than expected and for the third month to 50.3 (prior: 50.1), supported by resilient external demand. Non-manufacturing, meanwhile, unexpectedly worsened to 50.0 (prior: 50.2), weighed down by dampened construction activities due to typhoons as well as the still weak housing sector, and on the services sector, slower tourism activities after the Golden Week in October.

#### **Hong Kong's retail sales continued to fall, albeit at a narrower pace**

- Retail sales was better than expected, narrowing further to -2.9% y/y in October from the 6.9% y/y contraction previously. Moving forward, increasing employment earnings domestically, stabilisation in China's economy as well as resumption and extension of the multiple-entry Individual Visit Scheme will likely boost market sentiment and consumption but a strong HKD could encourage outbound tourism, as well as deter tourist arrivals/spending.

### House View and Forecasts

FX	This Week	4Q-24	1Q-25	2Q-25	3Q-25
DXY	104-109	105.78	105.51	103.40	102.37
EUR/USD	1.04-1.07	1.05	1.05	1.07	1.08
GBP/USD	1.25-1.29	1.28	1.28	1.31	1.32
USD/JPY	146-154	153	153	148	146
AUD/USD	0.64-0.67	0.65	0.66	0.67	0.68
USD/MYR	4.40-4.48	4.40	4.40	4.30	4.26
USD/SGD	1.33-1.36	1.33	1.33	1.31	1.29

Rates, %	Current	4Q-24	1Q-25	2Q-25	3Q-25
Fed	4.50-4.75	4.25-4.50	4.00-4.25	3.75-4.00	3.75-4.00
ECB	3.25	3.00	2.75	2.50	2.25
BOE	4.75	4.75	4.50	4.25	4.00
BOJ	0.25	0.25	0.50	0.50	0.50
RBA	4.35	4.35	4.35	4.10	3.85
BNM	3.00	3.00	3.00	3.00	3.00

Source: HL Bank

### Up Next

Date	Events	Prior
2-Dec	JN Jibun Bank Japan PMI Mfg (Nov F)	49
	MA S&P Global Malaysia PMI Mfg (Nov)	49.5
	VN S&P Global Vietnam PMI Mfg (Nov)	51.2
	AU Building Approvals MoM (Oct)	4.40%
	AU Retail Sales MoM (Oct)	0.10%
	CH Caixin China PMI Mfg (Nov)	50.3
	UK Nationwide House Px NSA YoY (Nov)	2.40%
	EC HCOB Eurozone Manufacturing PMI (Nov F)	45.2
	UK S&P Global UK Manufacturing PMI (Nov F)	48.6
	EC Unemployment Rate (Oct)	6.30%
	SI Purchasing Managers Index (Nov)	50.8
	US S&P Global US Manufacturing PMI (Nov F)	48.8
	US Construction Spending MoM (Oct)	0.10%
	US ISM Manufacturing (Nov)	46.5
3-Dec	US JOLTS Job Openings (Oct)	7443k

Source: Bloomberg

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