3 December 2024

Global Markets Research

Daily Market Highlights

3 Dec: Wider trade restrictions on chip sales to China

Rally in tech stocks, better than expected ISM, construction spending lifted US stocks

Fed's Waller said that he is leaning towards a Dec rate cut; Treasuries trimmed early losses

USD strengthened against G10 peers after Trump's 100% tariff threat on BRICs

- Global equities started December on a positive note, with a rally in tech stocks like Tesla and Apple, and better-expected ISM and construction spending prints from US driving S&P 500 (+0.2% d/d) and Nasdaq (+1.0% d/d) to close at records overnight. In Europe, dovish comments from ECB's Martins Kazaks, who didn't rule out a bigger rate cut in the December meeting boosted sentiment for stocks, sending Stoxx Eur 600 gaining 0.7% d/d. Shares of Stellantis, nonetheless, plunged after its CEO announced his resignation over differing views with the board.
- Asian markets also rose, following gains in US equities last Friday and amid signs of economic stabilization in China following the release of its PMI numbers. While futures suggest that Asian markets are set to follow the positive lead from the US today, we opine that chip stock could take a beating after ***US restricted the sales of high bandwidth memory chips made by US companies, including those produced at foreign facilities, to China and added 140 Chinese entities to its trade restriction lists***.
- In the bond space, Treasuries trimmed Monday's early losses following dovish comments from Fed Governor Christopher Waller, who said that he is leaning towards a rate cut in the December FOMC meeting. The 2Y yield closed the day up 3bps to 4.18%, while the 10Y inched up 2bps to 4.19%. Save for the French and Norwegian sovereign bonds, 10Y European bond yields fell 1-6bps during the day, after declining between 3-7bps previously.
- In the forex space, Trump's fresh 100% tariff threat on the BRICs countries sent USD strengthening against all its peers except for the JPY (+0.1% d/d) and the DXY closed up 0.6% d/d to 106.45. SEK, DKK, EUR and NOK which weakened 0.7 to 0.9% d/d, underperformed their peers, while GBP and AUD depreciated in tune to 0.6% d/d each. Regional currencies also weakened against the Dollar, with THB, KRW and CNH (-0.5 to -0.6% d/d) underperforming their peers. MYR and SGD, meanwhile, closed the day 0.3-0.4% d/d weaker at 4.4595 and 1.3449 respectively.
- In the commodity space, the WTI closed slightly higher by +0.2% d/d but Brent slid 1.5% d/d as optimism over a stabilizing Chinese economy was offset against lingering concerns over OPEC+ output hike. Investors were also watching for geopolitical developments in Syria as well as threats to the ceasefire between Israel and Hezbollah.

Contractionary S&P manufacturing PMIs for the majors and Malaysia; stability for China

- The final S&P US Manufacturing was revised up 0.9ppts to 49.7 in November (Oct: 48.5), its highest in 5 months as the rate of decline in new orders slowed sharply and stronger confidence over the future encouraged employment. Notably, Trump's protectionist policies saw one in four companies reporting

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	44,782.00	-0.29
S&P 500	6,047.15	0.24
NASDAQ	19,403.95	0.97
Stoxx Eur 600	513.61	0.66
FTSE 100	8,312.89	0.31
Nikkei 225	38,513.02	0.80
CSI 300	3,947.63	0.79
Hang Seng	19,550.29	0.65
Straits Times	3,751.35	0.32
KLCI 30	1,595.48	0.07
FX		
Dollar Index	106.45	0.67
EUR/USD	1.0498	-0.75
GBP/USD	1.2655	-0.63
USD/JPY	149.60	-0.11
AUD/USD	0.6475	-0.57
USD/CNH	7.2864	0.51
USD/MYR	4.4595	0.27
USD/SGD	1.3449	0.40
Commodities		
WTI ($/bbl)	68.10	0.15
Brent ($/bbl)	71.83	-1.52
Gold ($/oz)	2,634.90	-0.83
Copper ($$/MT)	8,992.50	-0.20
Aluminum($/MT)	2,590.00	-0.15
CPO (RM/tonne)	5,200.00	4.01

Source: Bloomberg, HL Bank
** CPO dated as of 29 November*

higher input purchases, underlying US manufacturers' concerns over the inflationary impact of tariffs.

- The final HCOB Eurozone Manufacturing PMI was left unchanged at 45.2 (Oct: 46.0) and with new orders falling at a faster pace, there's no sign of a recovery anytime soon. The downturn was widespread, hitting all of the top three eurozone countries and by industrial group, capital goods was the hardest hit, suggesting a weak investment outlook heading into 2025.
- The final S&P UK Manufacturing PMI was revised down to its 9-month low at 48.0 (Prior: 49.9). Weighing on sentiment was concerns over the economic outlook, high costs, supply chain disruptions due to geopolitical tensions as well as weak demand from US, China and EU.
- The final Jibun Bank Japan Manufacturing PMI was left unchanged at 49.0 in November (Oct: 49.0), its lowest since March due to a contraction in new orders. Firms, nonetheless, remain optimistic that this period of lull will pass in 2025, underpinned by anticipation of a domestic and global economic recovery, as well as new product launches.
- The Caixin China General Manufacturing PMI came in at 51.5 in November (Oct: 50.3), better than expected and the second month of expansion. Higher new work inflows, including from abroad, led to a solid rise in production, a sign that stimulus efforts are trickling into the economy, but employment levels declined partially due to cost concerns. As it is, the economic downturn appears to be bottoming out, but the economy still needs consistent and effective stimulus measures in view of continuous structural and external headwinds.
- The S&P Malaysia Manufacturing PMI dipped from 49.5 in October to 49.2 in November. This suggests that manufacturers remained under pressure as new orders, output and employment all softened, while incoming new business eased to its lowest in 7 months.
- The S&P Vietnam Manufacturing PMI remained expansionary at 50.8 (Oct: 51.2), as the disruption by Typhoon Yagi continued to weigh down on production, while weakness in international demand weighed on new orders. Employment also fell amid cost cutting efforts, but firms remained confident that output will pick up next year.

Improved demand pushed US ISM-Manufacturing closer to neutral level; construction spending accelerated

- The manufacturing activity contracted again in November according to ISM, but at a slower rate than expected at 48.4 (prior: 46.5). Demand (New orders: 50.4 vs 47.1) improved, employment (48.1 vs 44.4) shrunk but at a much slower rate, while prices (50.3 vs 54.8) continued in expansion territory. Meanwhile, construction spending grew at a faster pace of 0.4% m/m in October from 0.1% m/m, previously driven by home improvements spending as well as growing builder confidence. Moving forward, the housing market, as well as selected manufacturing sectors, are expected to benefit from more business-friendly measures under the incoming Trump administration.

Low and steady unemployment rate for Eurozone

- Unemployment rate held low at 6.3% in October, matching forecasts and with most major economies seeing stable unemployment rates save for France (7.6% vs 7.5%). As it is, the labour market has remained tight, keeping upward pressures on wage growth but may face headwinds going forward as businesses grow more pessimistic about hiring, with the manufacturing sector still negative and services sector slowing.

Business sentiment stays above long-term average for the UK; house price accelerated

- Although the Lloyds Business Barometer fell 3 points to 41 In November, the index at this level is above forecast and considerably above its long-term average of 29. Firms have mixed views about the economy, more optimistic on trading prospects pointing to resilient output expectations but overall hiring intentions fell. Moving forward, the positive reading suggests that businesses are confident that they are in a good place to cope with any challenges ahead.
- In the housing market, the Nationwide House Price index unexpectedly accelerated to 3.7% y/y in November after October's +2.4% y/y. This is the strongest growth in 2 years, and is now just 1% below the all-time high record. As it is, the housing market has and is expected to remain resilient, supported by solid labour market conditions and household balance sheets, but will face headwinds from the upcoming stamp duty changes.

Better-than-expected retail sales and building approvals for Australia

- Sturdy and better than expected prints in October, supporting a still hawkish RBA. Retail sales grew for the third month and at a faster pace of +0.6% m/m in October, following September's +0.1% m/m as some retailers enticed buyers to spend early with discounting, particularly on discretionary items like electrical goods. With consumers more confident of their finances, sales will likely remain strong for the rest of the year, especially in view of the Black Friday sales in November and festive spending in December.
- Meanwhile, building approvals grew by 4.2% m/m growth in October (prior: +5.8% m/m) driven by an increase in apartment developments approved in New South Wales and Victoria, while private sector house approvals fell after reaching a 2-year high in September.

Singapore's PMI inched up to 51.0 as electronics picked up pace

- Echoing most regional performances, official PMI improved 0.2ppts to 51.0 in November. The electronics PMI also came in 0.2ppts higher at 51.6, partially due to some front-loading ahead of potential tariffs from the US. While the latter could pose headwinds to the sector in 2H of 2025, strong demand for AI chips and signs of stabilisation in the China economy will likely keep the linchpin electronics sector expansionary for now.

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
3-Dec	US JOLTS Job Openings (Oct)	7443k
4-Dec	AU S&P Global Australia PMI Services (Nov F)	49.6
	HK S&P Global Hong Kong PMI (Nov)	52.2
	JN Jibun Bank Japan PMI Services (Nov F)	50.2
	SI S&P Global Singapore PMI (Nov)	55.5
	AU GDP SA QoQ (3Q)	0.20%
	CH Caixin China PMI Services (Nov)	52
	EC HCOB Eurozone Services PMI (Nov F)	49.2
	UK S&P Global UK Services PMI (Nov F)	50
	EC PPI YoY (Oct)	-3.40%
	US MBA Mortgage Applications	6.30%
	US ADP Employment Change (Nov)	233k
	US S&P Global US Services PMI (Nov F)	57
	US Factory Orders (Oct)	-0.50%
	US ISM Services Index (Nov)	56
	US Federal Reserve Releases Beige Book	

Source: Bloomberg