

Global Markets Research

Daily Market Highlights

13 Dec: Central banks continue to lower rates

Fed rate cut expectations intact despite warmer than expected producer prices

CHF underperformed peers after the SNB delivered a larger than expected rate cut

ECB cut policy rates by 25bps, as expected; lowered GDP and inflation forecasts

- US equities took a breather overnight, after the latest inflation left intact the case for another rate cut next week. Nasdaq retreated 0.7% d/d, dipping back below the 20k mark, while S&P 500 and the Dow shed 0.5% d/d each. Tech names were among the notable decliners, but trading was otherwise lacklustre as investors await FOMC's decision next week.
- Elsewhere, Stoxx Eur 600 closed 0.1% d/d lower, with miners and retailers falling the most. Asian markets mostly rose after Wall Street gained on tame inflation data the day before, but may likely retreat today following Wall Street and futures. Of note, China's consumption stocks rallied overnight on expectations of more concrete measures to boost demand.
- In the bond space, 10Y Treasury yields jumped 4-6bps across the curve after the warmer-than-expected producer prices (PPI). The 2Y yield closed up 4bps to 4.19%, while the 10Y yield rose 6bps to 4.33%. 10Y European bond yields jumped 5-16bps (prior: -2 to +6bps) after ECB's decision to cut policy rates, but yield to the 10Y Swiss sovereign bond slid 1bps after the Swiss National Bank (SNB) surprised the market with a 50bps rate cut, exceeding expectations of a smaller trim of 25bps.
- In the forex space, DXY rallied 0.2% d/d to close at 106.96 after the PPI print, and the Dollar strengthened against all its G10 peers save AUD. CHF was the worst performer amongst G10 after SNB's decision, and closed the day 0.9% d/d weaker against USD. EUR also depreciated 0.3% d/d against the Dollar, while AUD closed flat at 0.6369 after the better-than-expected employment data from Australia. Regional currencies closed mixed against USD, with CNH flattish at 7.2759, while MYR and SGD weakened between 0.1-0.2% d/d to close at 4.4383 and 1.3469 respectively against greenback.
- In the commodities market, oil prices snapped their winning streak and closed down 0.2-0.4% d/d after the International Energy Agency (IEA) reported that the world oil market will be comfortably supplied in 2025, even after OPEC+ extended its oil supply cuts and despite expectations of a modestly higher than expected demand forecast.

ECB lowered policy rates by 25bp, in line with forecasts

- The European Central Bank (ECB) lowered the deposit facility, the main refinancing operations and the marginal lending facility rates by 25bps each to 3.00%, 3.15% and 3.40% respectively. The decision was within expectation and economists are expecting two more rounds of quarter point rate cuts by the end of 1Q to support the sluggish economy.
- Highlights from the accompanying statement include: 1) Economic recovery was slower than expected, and the ECB lowered its GDP forecasts to 0.7% for 2024, 1.1% for 2025 and 1.4% for 2026. ECB added that a recovery rests mainly on rising real incomes and risk to growth is tilted down. 2) EBC

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	43,914.12	-0.53
S&P 500	6,051.25	-0.54
NASDAQ	19,902.84	-0.66
Stoxx Eur 600	519.20	-0.14
FTSE 100	8,311.76	0.12
Nikkei 225	39,849.14	1.21
CSI 300	4,028.51	0.99
Hang Seng	20,397.05	1.20
Straits Times	3,809.27	0.43
KLCI 30	1,602.08	-0.07
FX		
Dollar Index	106.96	0.23
EUR/USD	1.0468	-0.27
GBP/USD	1.2673	-0.61
USD/JPY	152.63	0.12
AUD/USD	0.6369	0.00
USD/CNH	7.2759	-0.04
USD/MYR	4.4383	0.12
USD/SGD	1.3469	0.16
Commodities		
WTI (\$/bbl)	70.02	-0.38
Brent (\$/bbl)	73.41	-0.15
Gold (\$/oz)	2,687.50	-1.69
Copper (\$\$/MT)	9,091.50	-1.09
Aluminum(\$/MT)	2,599.50	-0.06
CPO (RM/tonne)	5,187.00	-1.92

Source: Bloomberg, HL Bank
* CPO dated as of 11 December

believes that the disinflation process is well on track and lowered their headline CPI forecasts to 2.4% in 2024 and 2.1% in 2025. The central bank also expects inflation at 1.9% in 2026 and 2.1% in 2027. 3) Most importantly, the **ECB dropped the line that it needs to keep “interest rate sufficiently restrictive for as long as needed,”** leaving the door open for more rate cuts ahead.

US producer prices jumped on prices for eggs; claims ticked up, partially due to seasonal volatility

- In the US, PPI unexpectedly accelerated to +0.4% m/m in November (prior: +0.3% m/m), its largest gain in 5 months, with nearly 60% of the increase attributable to the 0.7% m/m (prior: +0.1% m/m) jump in prices of goods, notably due to surge in prices of eggs amid avian flu. Milder costs of services (+0.2% m/m vs +0.3% m/m) such as portfolio management fees and airline fares, nonetheless, offered hope that the disinflationary trend remains in place despite stalled progress.
- On the labour front, jobless claims unexpectedly increased 17k to its 2-month high of 242k for the week ended December 7 (prior: +10k), while the number of people continuing to collect unemployment checks also jumped 15k the week prior (Nov 30: -26k). As it is, claims were partially distorted by some seasonal volatility due to the timing of Thanksgiving but through this volatility, the labour market remains resilient albeit slowing.

Australia’s unemployment rate unexpectedly inched down to 3.9% as employment picked up

- In contrast, employment numbers in Australia came stronger than expected, with the unemployment rate unexpectedly easing to 3.9% from 4.1% previously, while employment rose more than expected to 35.6k from 12.1k previously due to higher employment in full-time jobs. With unemployment still low and employment around all-time highs, this suggests the labour market remains relatively tight and consequently, traders pared down their rate cut bets for the February’s RBA policy meeting but we are maintaining our view that the first rate will most likely begin in 2Q of 2025.

Japan’s business sentiment for manufacturers improved for the first time in 2 quarters

Business sentiment among Japan's large manufacturers unexpectedly improved for the first time in two quarters, with the Tankan large manufacturing index increasing to 14 in 4Q from 13 previously. Sentiment amongst non-manufacturers, nonetheless fell 1 point to 33, but with both indices still positive, this suggests that optimists continue to outnumber pessimists and that the economy remains on track for moderate economic recovery ahead.

House View and Forecasts

FX	This Week	4Q-24	1Q-25	2Q-25	3Q-25
DX	104-108	105.78	105.51	103.40	102.37
EUR/USD	1.04-1.07	1.05	1.05	1.07	1.08
GBP/USD	1.26-1.29	1.28	1.28	1.31	1.32
USD/JPY	147-153	153	153	148	146
AUD/USD	0.63-0.67	0.65	0.66	0.67	0.68
USD/MYR	4.39-4.46	4.40	4.40	4.30	4.26
USD/SGD	1.32-1.36	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	3.00	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
13-Dec	UK GfK Consumer Confidence (Dec)	-18
	UK Monthly GDP (MoM) (Oct)	-0.10%
	UK BoE/Ipsos Inflation Next 12 Mths (Nov)	2.70%
	EC Industrial Production SA MoM (Oct)	-2.00%
	US Import Price Index YoY (Nov)	0.80%
16-Dec	AU S&P Global Australia PMI Mfg (Dec P)	49.4
	AU S&P Global Australia PMI Services (Dec P)	50.5
	JN Core Machine Orders MoM (Oct)	-0.70%
	JN Jibun Bank Japan PMI Mfg (Dec P)	49
	JN Jibun Bank Japan PMI Services (Dec P)	50.5
	CH New Home Prices MoM (Nov)	-0.51%
	CH Industrial Production YTD YoY (Nov)	5.80%
	CH Retail Sales YTD YoY (Nov)	3.50%
	CH Fixed Assets Ex Rural YTD YoY (Nov)	3.40%
	CH Surveyed Jobless Rate (Nov)	5.00%
	EC HCOB Eurozone Manufacturing PMI (Dec P)	45.2
	EC HCOB Eurozone Services PMI (Dec P)	49.5
	UK S&P Global UK Manufacturing PMI (Dec P)	48
	UK S&P Global UK Services PMI (Dec P)	50.8
	EC Labour Costs YoY (3Q)	4.70%
	US Empire Manufacturing (Dec)	31.2
	US S&P Global US Manufacturing PMI (Dec P)	49.7
US S&P Global US Services PMI (Dec P)	56.1	
16-25 Dec	CH 1-Yr Medium-Term Lending Facility Rate	2.00%

Source: Bloomberg

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