

Global Markets Research

Daily Market Highlights

16 Dec: Cautious sentiment ahead of central bank meetings

Sticky price prints in the US keep hawkish cut in view

GBP depreciated after UK's economy unexpectedly contracted in October

CNH weakened after China's credit data and stimulus pledge disappointed investors

- US equity markets closed mixed last Friday, with the Dow falling for the seventh straight day by 0.2% d/d, while S&P closed just below the flatline. Weighing on sentiment was caution ahead of the FOMC meeting, especially since markets are weighing the possibility that the Fed may deliver a hawkish cut in this meeting. Nasdaq was the outlier, posting a 0.1% d/d gain, powered by a surge in Broadcom Inc., which also lifted appetite for other chipmakers.
- European markets were also in a downbeat mood following the disappointing data from the region, from UK's GDP to Germany's exports. CSI 300 and Hang Seng led losses in Asia, after the stimulus pledge from Beijing's annual Central Economic Work Conference disappointed investors, and are likely to open lower ahead of China data dump this morning.
- In the bond space, Treasury yields rose in tune to 5-7bps (prior: 4-6) across the curve on concerns that sticky inflationary pressure may complicate Fed's easing path. The 2Y yield closed up 5bps to 4.25%, while the 10Y yield rose 7bps to 4.40%. In Europe, 10Y sovereign bond yields closed up at a narrower pace of 4-7bps (prior: 5-16bps).
- In the forex space, the Dollar closed mixed against its G10 peers and DXY closed just above the flatline at 107.00. JPY (-0.7% d/d) underperformed its G10 peers on expectations that the Bank of Japan will maintain its monetary policy rate this week. GBP (-0.4% d/d) also lagged, after the economy unexpectedly contracted in October. While EUR (+0.3% d/d) rebounded after the ECB cut rates last Thursday, CHF remained under pressure and weakened 0.1% d/d. AUD (-0.1% d/d) and CNH (-0.1% d/d) continued to tumble amid disappointing economic data and stimulus pledge from China. MYR and SGD also weakened between 0.1-0.3% d/d, to close at 4.4495 and 1.3488 respectively.
- In the commodity space, crude oil prices settled 1.5-1.8% d/d higher on expectations that additional sanctions on Russia and Iran could tighten supplies, countering supply glut outlook for 2025.

Steady import prices for the US

- Import prices were unchanged at +0.1% m/m in October, but defied expectations for a 0.2% m/m drop, as increases in the costs of food and fuels, were partially offset by decreases elsewhere. As it is, recent price indicators have largely offered hope that the disinflationary trend remains in place despite stalled progress, and thus, there is no change in consensus as well as our view that the Fed will deliver a 25bps rate cut this week.

Flat IPI growth for the Eurozone

- The manufacturing sector remains sluggish in the Eurozone, with industrial output showing flat growth in October after falling 1.5% m/m previously.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	43,828.06	-0.20
S&P 500	6,051.09	0.00
NASDAQ	19,926.72	0.12
Stoxx Eur 600	516.45	-0.53
FTSE 100	8,300.33	-0.14
Nikkei 225	39,470.44	-0.95
CSI 300	3,933.18	-2.37
Hang Seng	19,971.24	-2.09
Straits Times	3,810.35	0.03
KLCI 30	1,608.75	0.42
FX		
Dollar Index	107.00	0.04
EUR/USD	1.0501	0.32
GBP/USD	1.2619	-0.43
USD/JPY	153.65	0.67
AUD/USD	0.6362	-0.11
USD/CNH	7.2811	0.07
USD/MYR	4.4495	0.25
USD/SGD	1.3488	0.14
Commodities		
WTI (\$/bbl)	71.29	1.81
Brent (\$/bbl)	74.49	1.47
Gold (\$/oz)	2,656.00	-1.17
Copper (\$\$/MT)	9,052.50	-0.43
Aluminum(\$/MT)	2,605.00	0.21
CPO (RM/tonne)	5,145.50	-0.80

Source: Bloomberg, HL Bank
* CPO dated as of 12 December

Output was stable for intermediate goods while production of capital goods grew, but these were offset by declines in energy as well as consumer goods.

UK economy unexpectedly contracted in October

- Monthly GDP for October contracted by 0.1% m/m in October, unchanged from the month before, but was below consensus forecast of a +0.1% m/m growth. Largely underpinning the contraction was declines in construction (-0.4% m/m vs +0.1% m/m) and production output, which includes manufacturing (-0.6% m/m vs -1.0% m/m). Services sector, meanwhile, showed no growth for the second month.
- Median expectations of the inflation rate over the coming year, according to the BoE/Ipsos survey, ticked up to 3.0% in November from 2.7% a quarter ago, while GfK consumer confidence index unexpectedly improved to its 4-month high of -17 in December (prior: -18). The latter adds to signs that consumers are growing more confident about the outlook, in contrast to a dip in confidence before Reeves' Autumn budget. Nonetheless, with consumers still uncertain about making big-ticket purchases, we do need to see robust improvements in consumer spending anytime soon, weighing on overall growth.

S&P Composite PMI for Australia dipped below the 50-threshold

- The S&P Global Flash Australia Composite PMI turned contractionary for the first time in 3-months at 49.9 in December (prior: 50.2), with the manufacturing sector (48.2 vs 49.4) leading the downturn while services (50.4 vs 50.5) also softened. While forward-looking indicators provided mixed signals, the employment gauge notably contracted for the first time since August 2021. Amid softening business conditions and muted selling price inflation, this will most likely spur the Reserve Bank of Australia to start cutting rates in 2Q of 2025.

Strong machine orders for Japan

- Core machine orders rose for the first time in June and came above street forecast at 2.1% m/m in October (prior: -0.7% m/m). Driving the uptick was orders from the manufacturing sector, while orders from the services sector fell. As it is, orders will likely stay positive for the whole of 4Q (forecast: +5.7% vs 3Q: -1.3%), suggesting that firms are positive on investment outlook and the economy is set for a moderate recovery trend.

China's weak loan growth suggests more concrete policy steps needed to lift demand

- China's financing data suggests that recent stimulus measures have yet to sufficiently lift domestic demand, and more concrete stimulus measures are needed. Aggregate financing ticked up less than expected to 29.4tn yuan for the period January to November, and new yuan loans totalled 17.1tn yuan for the same period (Jan-Oct: 16.5tn yuan). Government financing was the main driver of growth, while corporate loans fell, reflecting businesses' concern in expanding investment and production.

House View and Forecasts

FX	This Week	4Q-24	1Q-25	2Q-25	3Q-25
DX	105-108	105.78	105.51	103.40	102.37
EUR/USD	1.03-1.07	1.05	1.05	1.07	1.08
GBP/USD	1.26-1.30	1.28	1.28	1.31	1.32
USD/JPY	149-155	153	153	148	146
AUD/USD	0.62-0.65	0.65	0.66	0.67	0.68
USD/MYR	4.39-4.47	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	3.00	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
16-Dec	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%
17-Dec	AU Westpac Consumer Conf SA MoM (Dec)	5.30%
	SI Non-oil Domestic Exports SA MoM (Nov)	-7.40%
	UK Weekly Earnings ex Bonus 3M/YoY (Oct)	4.80%
	UK ILO Unemployment Rate 3Mths (Oct)	4.30%
	UK Payrolled Employees Monthly Change (Nov)	-5k
	EC ZEW Survey Expectations (Dec)	12.5
	EC Trade Balance SA (Oct)	13.6b
	US Retail Sales Advance MoM (Nov)	0.40%
	US Industrial Production MoM (Nov)	-0.30%
	US NAHB Housing Market Index (Dec)	46

Source: Bloomberg

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