

Global Markets Research
Daily Market Highlights

5 Dec: OECD expects a resilient global economy for 2025-26

Powell and Fed Beige Book: US economy remains in good state

AUD weakened after GDP miss; EUR strengthened after no-confidence vote on French PM

BOE's Bailey signals four rate cuts in 2025; GBP reversed earlier losses and strengthened

- The S&P 500 and Nasdaq scaled another record, with tech shares leading the rally following strong reports from Salesforce and Marvell Technology. The broad market index gained 0.6% d/d, while the tech-heavy Nasdaq advanced 1.3% d/d. The Dow also broke its losing streak to rally 0.7% d/d. On the economic front, sentiment was also boosted by Fed Chair Jerome Powell's comments that the economy is in a good state, and can afford to be cautious in lowering rates going forward.
- US market exuberance came despite political turmoil overseas. While both the Stoxx Eur 600 and French CAC 40 closed 0.4% d/d and 0.7% d/d higher ahead of the no-confidence vote in France's parliament, Asian markets tumbled, rattled by South Korea's brief martial law.
- In the bond space, UST yields fell 4-6bps across the curve, settling at 4.13% for the 2Y and 4.18% for the 10Y, giving up some earlier gains following the weaker than expected reading for ISM-Services. 10Y European bond yields closed mixed again, in a wider range of -3 to +7bps.
- In the forex space, DXY closed just below the flatline at 106.32 and the Dollar closed mixed against its G10 peers. AUD weakened 0.9% d/d against USD after its 3Q GDP miss, leading losses amongst the G10 currencies. EUR trimmed earlier gains and closed just above the flatline at 1.0511, even after the French PM was ousted in a no-confidence vote. GBP/USD weakened to as low as 1.2630 before reversing losses to close the day 0.2% d/d stronger at 1.2701, even as BOE Governor Andrew Bailey signalled four rate cuts in 2025 if inflation eases as expected. Meanwhile, most regional currencies strengthened against USD led by KRW, PHP and MYR (+0.4% d/d to 4.4530). CNH and SGD also appreciated, but at a smaller pace of 0.3% d/d and 0.1% d/d respectively.
- In the commodity space, crude oil prices fell 1.8-2.0% d/d as investors await OPEC's decision on supply, while a drop in US crude inventories lent some support to prices.

OECD expects a resilient global economy for 2025-26

- Highlights from the latest OECD Economic Outlook include: 1) Global economy is expected to stay resilient despite challenges from geopolitical tensions and high public debt ratios. Consequently, world GDP growth is expected to pick up slightly from 3.2% in 2024 to 3.3% in 2025 and 2026. 2) Inflation in the OECD is expected to moderate from 5.4% in 2024 to 3.8% in 2025 and 3.0% in 2026. 3) Growth prospects vary across regions. US GDP growth is expected to ease from 2.8% in 2024 to 2.4% in 2025 and 2.1% in 2026. In the EU, the recovery in real household incomes, tight labour markets and cuts in policy rates is expected to drive growth to 1.3% in 2025 and 1.5% in 2026 (2024e:

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	45,014.04	0.69
S&P 500	6,086.49	0.61
NASDAQ	19,735.12	1.30
Stoxx Eur 600	517.45	0.37
FTSE 100	8,335.81	-0.28
Nikkei 225	39,276.39	0.07
CSI 300	3,930.56	-0.54
Hang Seng	19,742.46	-0.02
Straits Times	3,799.94	0.36
KLCI 30	1,614.09	0.44
FX		
Dollar Index	106.32	-0.04
EUR/USD	1.0511	0.02
GBP/USD	1.2701	0.22
USD/JPY	150.59	0.66
AUD/USD	0.6430	-0.86
USD/CNH	7.2776	-0.30
USD/MYR	4.4530	-0.37
USD/SGD	1.3439	-0.07
Commodities		
WTI (\$/bbl)	68.54	-2.00
Brent (\$/bbl)	72.31	-1.78
Gold (\$/oz)	2,653.80	0.34
Copper (\$\$/MT)	9,083.00	-0.31
Aluminum(\$/MT)	2,646.50	1.42
CPO (RM/tonne)	5,287.00	0.65

Source: Bloomberg, HLBB Global Markets Research

* CPO dated as of 3 December

+0.8%). Growth in Japan is projected to grow by 1.5% in 2025 but ease to 0.6% the following year (2024e: -0.3%). Growth in China is expected to remain slow at 4.9% in 2024, 4.7% in 2025 and 4.4% in 2026. 4) The report highlighted persistent downside uncertainty stemming from geopolitical tension, rising trade tensions and adverse surprise on GDP growth and inflation, which could trigger disruptive corrections in financial markets. Growth could also surprise on the upside on improved consumer confidence and early resolution to geopolitical conflicts.

Mixed PMI services for the majors and regionals

- The final S&P Services PMI was revised down 0.9ppts to 56.1 in November (prior: 55.0). The index at this level, nonetheless signals the fastest expansion since March 2022 driven by highest demand in new orders in 2.5 years, due to political clarity post-election, brighter prospects for the economy in anticipation of more business-friendly measures and expectations of lower interest rates.
- While the final HCOB Eurozone Services PMI was revised up 0.3ppts to 49.5 (Oct: 51.6), this still marks the first contraction in 10 months and is negative for overall growth prospects, especially since this weakness is prevalent amongst the top economies. Driving the downtick was consumer uncertainty, fuelled by political instability in France and Germany, and from the threat of trade wars by the US. With new orders dropping for the third month, a recovery in the services sector appears unlikely at this juncture.
- While the final S&P UK Services PMI was revised up to 50.8 in November (prior: 52.0), the index at this level suggests that business activity was close to stalling and remained its lowest for over a year. Business optimism was considerably softer, weighed down by concerns about the impact from the Autumn Budget, in particular those pushing up employment costs.
- The final Japan Services PMI was revised up 0.3ppts to 50.5, an uptick from October's 49.7. This marks a turnaround in growth, supported by a fifth consecutive month of expansion for new orders. Because of this, improved confidence in the 12-month outlook, as well as highest growth of outstanding business in 8 months, near term outlook remains solid.
- The Caixin China Services PMI unexpectedly weakened to 51.5 in November from 52.0 previously, as new orders and new export orders grew at a slower pace, while price levels were weak. Moving forward, firms were broadly more confident amid policy support, although some expressed concerns over future trade development.
- On the composite front, Hong Kong PMI retreated to 51.2 in November from 52.2 previously on subdued export orders and as business confidence fell, partially reflecting concerns over potential trade barriers. Moving forward, sustained new orders, renewed accumulation of backlogged work and firms adding more staff suggest that output will remain expansionary in the near term.
- Similarly, Singapore's composite PMI also inched down to 53.9 from 55.5 previously, as business confidence eased to its 16-month low due to worries over stiff competition and supply constraints. Moving forward, elevated new business index and fastest job creation in 3 months suggests robust growth in the near term.

Mixed data from the US; Beige Book echoes Powell's solid US economy view

- Highlight from the latest Beige Book include: 1) Economic activity rose slightly and expectations for growth rose moderately across most geographies and

sectors. 2) Consumer spending was stable, noting an increase in price, as well as quality, sensitivity among consumers. 3) Demand for mortgages for commercial real estates and homes was subdued, but financing remained available. 4) Capital spending was flat or declining. Data overnight, nonetheless, showed that mortgage applications continue to increase for the week ended November 29 (2.8% w/w vs 6.3% w/w) driven by purchase applications, while factory orders matched expectation and rebounded to +0.2% m/m in November (prior: -0.2% m/m), driven by demand for consumer and durable goods.

- In the services sector, the ISM index weakened more than expected by 3.9 points to 52.1 in November, driven by declines in the business activity, new orders (53.7 vs 57.4), employment (51.5 and 53.0) and supplier deliveries sub-indices. Most respondents were neutral to positive on the sector, suggesting sustained growth. Any negative readings were driven by concerns over the election ramifications and tariffs.
- In the labour market, overall growth in hiring (+146k vs +184k) remained healthy, although moderated and below expectation. ADP also noted strong hiring at large employers in October and pay gains for job-stayers picked up for the first time in 25 months at 4.8% y/y, not boding well for Fed's fight against inflation. By industry, hiring trends were mixed, with manufacturing at its weakest since spring, while financial services as well as leisure & hospitality were also soft.

Eurozone's producer prices rebounded, partially due to energy

- Matching expectations, producer prices (PPI) rebounded to +0.4% m/m in October (prior: -0.6% m/m), driven by higher energy prices because of heightened geopolitical tension, as well as consumer goods, both durable and non-durable. Despite the uptick, there is no change in the market and our house views of a 25bps rate cut in the December meeting given the sluggish domestic economy.

Australia's 3Q accelerated, albeit at a softer pace of +0.3% q/q amid flat consumer spending

- GDP came in a shade softer than expected at +0.3% q/q in 3Q. Although an uptick from 2Q's +0.2% q/q, growth has largely slowed since +0.8% q/q in 4Q of 2022 and was primarily driven by public sector expenditure. Household spending was flat after falling 0.3% q/q in the prior quarter, as the rebate-driven fall in household electricity spending was offset by growth in other categories, like essentials as well as clothing and footwear, due to the unseasonably warm weather. With the effect of restrictive financial conditions continuing to weigh on household consumption, there is no change that the RBA will start cutting rates mid of 2025.

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: HLBB Global Markets Research

Up Next

Date	Events	Prior
5-Dec	AU Exports MoM (Oct)	-4.30%
	AU Household Spending MoM (Oct)	-0.10%
	SI Retail Sales SA MoM (Oct)	0.40%
	UK DMP 1 Year CPI Expectations (Nov)	2.50%
	EC Retail Sales MoM (Oct)	0.50%
	US Challenger Job Cuts YoY (Nov)	50.90%
	US Trade Balance (Oct)	-\$84.4b
6-Dec	US Initial Jobless Claims	213k
	JN Labor Cash Earnings YoY (Oct)	2.80%
	JN Household Spending YoY (Oct)	-1.10%
	JN Leading Index CI (Oct P)	109.1
	MA Foreign Reserves (47423)	\$118.0b
	EC GDP SA QoQ (3Q F)	0.40%
	EC Employment QoQ (3Q F)	0.20%
	US Change in Nonfarm Payrolls (Nov)	12k
	US Unemployment Rate (Nov)	4.10%
	US Average Hourly Earnings MoM (Nov)	0.40%
	US U. of Mich. Sentiment (Dec P)	71.8
	VN CPI YoY (Nov)	2.89%
	VN Exports YoY (Nov)	10.10%
VN Industrial Production YoY (Nov)	7.00%	
VN Retail Sales YoY (Nov)	7.10%	
US Consumer Credit (Oct)	\$6.002b	

Source: Bloomberg

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