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Global Markets Research

Daily Market Highlights

7 Nov: Markets rallied on Trump's victory

Trump's pro-growth and inflationary policies spurred rallies in stocks, UST yields and USD
BNM maintained the OPR and neutral policy stance; keeping the MYR supported
All eyes on FOMC and BOE's decisions today; both are expected to cut by 25bps

- Donald Trump's win in the presidential election saw risk-on sentiments making a comeback to the US financial markets and saw investors piling up on equities and selling off Treasuries. Largely driving this are expectations of stronger growth and inflation ahead, amid his policies of deregulation, lower corporate tax rates and industrial policies like higher tariffs that favored domestic growth.
- Consequently, the Dow Jones, S&P 500 and Nasdaq soared 3.6%, 2.5%, and 3.0% d/d overnight, while small cap stocks also leapt. The Russell 2000 surged 5.8% d/d to end the day. Within S&P, eight of the eleven S&P sectors closed in the greens, led by financial and industrial stocks. Treasury yields also climbed 9-18bps across the curve led by the longer end, on bets that Trump's policies could stoke inflationary pressures. The 2Y yield increased 9bps to 4.26%, while the 10Y jumped 16bps to 4.43%. Market pricing for Fed rate cuts have also dialled back to further below 2 cuts for this year and below 3 cuts for 2025.
- In contrast, European stocks closed lower (Stoxx Eur 600: -0.5% d/d), with auto stocks hammered by potential trade friction under the new presidency, while 10Y European bond yields closed mixed between -3 to +8bps. In Asia, equity markets closed mixed but Hang Seng and CSI 300 slumped as US results fuelled jitters over a potential fallout from heightened trade tension.
- In the forex space, DXY surged to its highest in a year and closed up 1.6% d/d at 105.09. The greenback strengthened by more than 1.0% d/d each against most of its G10 peers, as well as against regionals. Notably, GBP depreciated 1.3% d/d against USD before BOE's policy decision today, while EUR weakened 1.8% d/d on a second Trump presidency. Just a recap, the EU was hit by tariffs on steel and aluminium during Trump's first term. Laggards on the regional front include JPY (-2.0% d/d), THB and KRW. SGD and CNH tumbled 1.4% d/d each against USD, the latter on potentially more trade tension with the US. MYR narrowed its losses to a 1.3% d/d decline to 4.4035 at yesterday's close, with BNM's rate pause decision and neutral policy tone providing support to the MYR.
- In the commodities market, oil prices sank 0.4-0.8% d/d because of the stronger USD.

No change in OPR and neutral policy tone for Malaysia

- BNM maintained OPR unchanged at 3.00% for the ninth consecutive meeting as widely expected. Today's policy statement is almost identical to the statement in September, suggesting there is literally no change to BNM's policy stance in keeping the OPR unchanged in the foreseeable future. BNM continued to expect sustained strength in the Malaysian economy and

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	43,729.93	3.57
S&P 500	5,929.04	2.53
NASDAQ	18,983.46	2.95
Stoxx Eur 600	506.78	-0.54
FTSE 100	8,166.68	-0.07
Nikkei 225	39,480.67	2.61
CSI 300	4,024.28	-0.50
Hang Seng	20,538.38	-2.23
Straits Times	3,602.99	0.60
KLCI 30	1,634.17	0.83
FX		
Dollar Index	105.09	1.61
EUR/USD	1.0729	-1.84
GBP/USD	1.2879	-1.25
USD/JPY	154.63	1.99
AUD/USD	0.6569	-1.04
USD/CNH	7.2036	1.43
USD/MYR	4.4035	1.32
USD/SGD	1.3329	1.41
Commodities		
WTI (\$/bbl)	71.69	-0.42
Brent (\$/bbl)	74.92	-0.81
Gold (\$/oz)	2,676.30	-2.67
Copper (\$\$/MT)	9,343.00	-4.06
Aluminum(\$/MT)	2,615.50	-1.67
CPO (RM/tonne)	4,962.50	-0.60

Source: Bloomberg, HLBB Global Markets Research
 * Dated as of 5 Nov for CPO

foresee manageable inflation going into 2025. This reinforced our views for an extended pause in the OPR probably through next year, despite the tide of policy easing among major central banks and some regional economies. On the MYR, imminent narrowing in rate differentials, favourable economic prospects and domestic reforms, ongoing initiatives to encourage flows, will continue to support the MYR, notwithstanding near-term volatility caused by the US election outcome.

- We continue to expect policy divergence globally given the differences in economic fundamentals and policy needs of each country. Even within the easing camp, the pace and depth of the policy easing will be varied. We expect the Fed to undertake a less aggressive rate cut path now taking cue from the exceptionally resilient US economy and that inflationary risks remain skewed to the upside, more so if Trump's inflationary policies materialize. Meanwhile, the Malaysian economy is expected to maintain its moderate growth trajectory, while inflationary pressure is expected to stay well-contained despite ongoing plans for subsidy reforms. Delay in the implementation of RON95 subsidy retargeting to mid-2025 as indicated by the Prime Minister during the 2025 Budget tabling will further push back upside risks to inflation. We therefore reaffirmed our view for an extended pause in the OPR probably through next year, barring any substantial external shocks.

Upward revisions to S&P Services PMIs for the Euro area and Japan

- The final HCOB Eurozone Services PMI was revised up 0.4ppts to 51.6 in October (prior: 51.4), pointing to a modest and stable growth for the sector, although still subdued by historical standards. Moving forward, this sector should continue to benefit from improved real income, and consequently, consumption and demand for services.
- The final Jibun Bank Japan Services PMI was revised up 0.4ppts to 49.7 in October (Sep: 53.1). Nonetheless, October marks the first contraction in 4 months, although marginal, driven by a slowdown in exports and in tandem, new orders. Moving forward, businesses remained confident that this remains a blip and the expectations index remained strongly positive, supported by new businesses and investment.

Mortgage applications fell at a steep pace of 10.8% w/w in the US

- Mortgage applications fell at a steep pace of 10.8% w/w for the week ended November 1 (prior: -0.1% w/w) as the 10Y Treasury rates remain volatile and continue to put upward pressure on mortgage rates. The 30Y fixed rate increased to 6.81% during the week, its highest since July, sending purchase and refinance applications falling to their lowest since mid-August and May respectively. Notably, the average loan size for the latter dropped below \$300k, as borrowers with larger loans are more sensitive to interest rate movements.

Eurozone's PPI fell on capital goods and energy costs

- Matching expectations, PPI for the Euro area fell 0.6% m/m and 3.4% y/y in September (prior: +0.6% m/m and -2.3% y/y), with the decline on a m/m basis due to energy and capital costs. This will help alleviate price pressures going forward, giving leeway for the central bank to continue with its easing stance to support the economy.

Japan's labour cash earnings held steady, but below forecasts

- Labour cash earnings unexpectedly held unchanged at 2.8% y/y in September, defying expectations that it will accelerate to 3.0% y/y for the month. As it is, wage growth has largely held steady to higher, which would lead to demand-pull inflation, and as such, we maintain our view that the central bank will continue with its tightening cycle, with the next hike pencilled in 1Q of 2025.

Vietnam continues to feel the pain from Typhoon Yagi

- Disruptions to supply chains and production remain prevalent in October as recovery from Typhoon Yagi gets underway, sending both the IPI and export growth decelerating to +7.0% y/y and 10.1% y/y respectively from prior month's +10.8% y/y and 10.7% y/y. Retail sales also moderated to 7.1% y/y from 7.6% y/y due to lower tourist spending, while inflation ticked up more than expected to 2.9% y/y in October from 2.6% y/y previously. The acceleration was underpinned by higher gasoline prices and a temporary spike in food prices due to the storm, but remains below its 4.0-4.5% target and as such, unlikely to spur the central bank to move its policy rates anytime soon.

House View and Forecasts

FX	This Week	4Q-24	1Q-25	2Q-25	3Q-25
DXY	102-106	101.56	100.54	99.53	99.04
EUR/USD	1.07-1.10	1.11	1.12	1.13	1.14
GBP/USD	1.27-1.31	1.33	1.35	1.36	1.37
USD/JPY	150-154	146	142	138	135
AUD/USD	0.64-0.68	0.68	0.69	0.70	0.71
USD/MYR	4.32-4.43	4.25	4.20	4.15	4.10
USD/SGD	1.30-1.34	1.31	1.29	1.27	1.25

Rates, %	Current	4Q-24	1Q-25	2Q-25	3Q-25
Fed	4.75-5.00	4.25-4.50	3.75-4.00	3.50-3.75	3.25-3.50
ECB	3.25	3.00	2.75	2.50	2.25
BOE	5.00	4.75	4.50	4.25	4.00
BOJ	0.25	0.25	0.40	0.40	0.55
RBA	4.35	4.35	4.10	3.85	3.60
BNM	3.00	3.00	3.00	3.00	3.00

Source: HLBB Global Markets Research

Up Next

Date	Events	Prior
7-Nov	AU Exports MoM (Sep)	-0.20%
	MA Foreign Reserves	\$119.6b
	EC Retail Sales MoM (Sep)	0.20%
	UK Bank of England Bank Rate	5.00%
	US Unit Labor Costs (3Q P)	0.40%
	US Initial Jobless Claims	216k
	CH Exports YoY (Oct)	2.40%
8-Dec	US FOMC Rate Decision (Upper Bound)	5.00%
	US Consumer Credit (Sep)	\$8.929b
	JN Household Spending YoY (Sep)	-1.90%
	MA Manufacturing Sales Value YoY (Sep)	7.70%
	MA Industrial Production YoY (Sep)	4.10%
	JN Leading Index CI (Sep P)	106.9
	US U. of Mich. Sentiment (Nov P)	70.5

Source: Bloomberg

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