

**Global Markets Research**
**Daily Market Highlights**

## 8 Nov: Further policy easing by major central banks

**UST yields and USD fell post-FOMC; dropped phrase on inflation confidence**

**UK's Autumn Budget prompted a hawkish BOE cut; GBP briefly strengthened above 1.30s**

**Riksbank lowered its policy rates by 50bps; Norges maintained deposit rates at 4.50%**

- The S&P 500 and Nasdaq extended its rally for another day in the wake of President-elect Donald Trump's victory, with a highly anticipated 25bps rate cut by the Fed further lending support for sentiment and appetite for stocks. The S&P 500 and Nasdaq gained 0.7% d/d and 1.5% d/d respectively, while Dow was the outlier closing flat during the day. Eight of the eleven sectors closed the day in the green, with communication services and information communication sectors the outperformer while financials lagged.
- Similarly, appetite for the equity markets in Europe also benefited from the positive sentiment following Trump's win. Notably, Germany's DAX rallied 1.7% d/d even after Chancellor Olaf Scholz called for a snap election after the coalition collapsed, but FTSE 100 lost 0.3% d/d. In Asia, CSI 300 led gains in the region after stronger-than-expected exports print from China and are expected to open up today following Wall Street.
- In the bond space, Treasury yields fell 6-12bps across the board after the Fed lowered its policy rates. The 2Y closed down 6bps to 4.20%, while the 10Y slid 11bps to 4.33%. 10Y European bond yields closed mostly higher between 1-5bps, but yields to the 10Y UK gilts dipped 6bps to 4.50% during the day following BOE's decision.
- In the forex space, DXY dipped 0.8% d/d to close at 104.33, although the Dollar slightly pared its losses against its G10 peers after FOMC's decision. The Dollar weakened against all its G10 peers, with NOK strengthening 2.0% d/d after the Norges Bank maintained its deposit rate unchanged at 4.50%. SEK appreciated 1.6 d/d after Riksbank lowered its policy rates by 50bps but suggested slower pace of easing going forward. Meanwhile, the GBP gained 0.8% d/d after the BOE delivered a hawkish cut. All the four policy decisions were within forecasts. Regional currencies, meanwhile, closed mixed against the Dollar. With SGD and CNH appreciating in tune to 0.8-1.0% d/d, the latter boosted by its better-than-expected exports data. MYR closed flattish at 4.4043.
- In the commodities market, crude oil prices gained 0.4-0.5% d/d as investors braced for a renewed clampdown on Iran and Venezuela via sanctions under Trump.

### FOMC cut Fed funds rate by 25bps to 4.50-4.75%

- As expected, the FOMC unanimously voted to lower its Fed funds rate target by 25bps to 4.50-4.75%. Fed maintained its stance/view that the Committee is attentive to the risks to both sides of its dual mandate, that the economy continued to expand at a solid pace but the **policy rate is restrictive**. That said, the central bank said that **"labor market conditions have generally eased,"** rather than "slowed" previously and **the phrase, "The Committee has gained**

### Key Market Metrics

	Level	d/d (%)
<b>Equities</b>		
Dow Jones	43,729.34	0.00
S&P 500	5,973.10	0.74
NASDAQ	19,269.46	1.51
Stoxx Eur 600	509.92	0.62
FTSE 100	8,140.74	-0.32
Nikkei 225	39,381.41	-0.25
CSI 300	4,145.70	3.02
Hang Seng	20,953.34	2.02
Straits Times	3,673.49	1.96
KLCI 30	1,623.28	-0.67
<b>FX</b>		
Dollar Index	104.36	-0.74
EUR/USD	1.0805	0.71
GBP/USD	1.2987	0.84
USD/JPY	152.94	-1.09
AUD/USD	0.6679	1.67
USD/CNH	7.1483	-0.77
USD/MYR	4.4043	0.02
USD/SGD	1.3201	-0.96
<b>Commodities</b>		
WTI (\$/bbl)	72.19	0.40
Brent (\$/bbl)	75.57	0.55
Gold (\$/oz)	2,714.00	1.72
Copper (\$\$/MT)	9,678.50	3.84
Aluminum(\$/MT)	2,704.50	3.42
CPO (RM/tonne)	4,987.50	0.50

Source: Bloomberg, HLBB Global Markets Research

\* Dated as of 6 Nov for CPO

***greater confidence that inflation is moving sustainably toward 2%” was removed.***

This may imply that the Fed is less confident in the disinflationary path going forward with Trump back in the White House. Moving forward, we maintain our view of a 25bps rate cut in the December FOMC meeting but foresee a slower easing path going into 2025. Meanwhile markets has scaled back their bets to less than 1 cut during the December meeting and next year.

- Data, meanwhile, showed no material change in a softer but still resilient labour market. Jobless claims rose slightly more than expected but remained near pre-COVID levels at 221k for the week ended November 2 (+3k vs -10k). Unit labour costs ticked up more than expected (+1.9% in 3Q vs +2.4% in 2Q), stirring still elevated wage growth and inflation risks. Consumer credit unexpectedly slowed to \$7.6b in September from \$6.0bn previously, mainly due to slower non-revolving credit like mortgages and student loans.

#### **BOE cut by 25bps to 4.75%; Autumn Budget prompted a hawkish cut**

- As expected, the MPC of the Bank of England (BOE) voted by a majority of 8–1 to reduce the Bank Rate by 25bps to 4.75%. The bank reiterated its stance of a gradual approach to removing policy restraint and there is no change in our view that the BOE will pause in December. Traders also pared down their rate cut bets (OIS: 25% probability and less than 1 cut in December), amid upward revisions to BOE’s CPI forecasts and impact from the Autumn Budget. The bank expects inflation to average 2.2% (prior forecast: 1.7%) in 2 years’ time and 1.8% (prior: 1.5%) in 3 years’ time, and said that the ***Autumn Budget will boost GDP by around 0.8ppts at their peak in a year’s time as compared to their August’s projections. The Budget is also expected to increase the inflation rate by just under 0.5ppts at the peak.***

#### **Consumers are still supporting the Eurozone with positive retail sales**

- Retail sales in the Euro area expanded by 0.5% m/m in September, above forecasts but a moderation from the prior month’s upwardly revised +1.1% m/m. The softer sales during the month were driven by softer sales for automotive fuel and a decline in demand for food, drinks & tobacco. Moving forward, positive real income growth will continue to support consumption, but we do not see a strong uptick given the still sluggish consumer confidence and overall economy.

#### **Japan’s household spending remained weak; maintain view of the next rate hike only in 2025**

- Data this morning, showed that household spending (-1.1% y/y in September vs -1.9 y/y in August), remained the pocket of weakness in the Japanese economy as consumers continued to struggle with the higher costs of living. Despite better than expected, the weak data reaffirms our view that any further rate hikes will only occur come 2025, amid sustainable consumption strength.

#### **Australia’s trade surplus narrowed on contractionary exports and imports**

- Trade surplus narrowed more than expected to A\$4.6bn in September from A\$5.3bn previously, not boding well for 3Q GDP calculation in 3Q. The narrower surplus was driven by the contraction in exports which outpaced imports, at 4.3% m/m and -3.1% m/m respectively (prior: -0.6% m/m and -0.2% m/m). The decline in the former was driven by other mineral fuels, while the latter was weighed down by fuels & lubricants.

#### **Mixed trade numbers from China; solid exports but weak imports**

- For China, trade numbers were mixed. Exports accelerated more than expected to 12.7% y/y in October, but imports worsened more than expected at -2.3% y/y

(prior: +2.4% y/y and +0.3% y/y) on weak domestic demand. The former is the fastest pace in more than 2 year, likely due to exporters front loading shipments before the higher tariffs kick in in January as well as festive seasonal demand, but could face headwinds coming into 2025 with Trump returning to the White House and potentially introducing more trade restrictions on China.

#### Malaysia's reserves fell by a larger pace of \$2bn to \$117.6bn in 2H of October

- Reserves fell at a larger pace of \$2.0bn in 2H of October to end the month at \$117.6bn. This is compared to -\$0.1bn in 1H, and is sufficient to finance 4.8 months of imports and is 0.9 times of the total short-term external debt.

#### 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	4.50-4.75	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	4.75	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
8-Nov	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
9-Nov	CH PPI YoY (Oct)	-2.80%
	CH CPI YoY (Oct)	0.40%
9-15 Nov	CH Aggregate Financing CNY YTD (Oct)	25660.0b
11-Nov	JN Bank Lending Ex-Trusts YoY (Oct)	3.10%
	JN Eco Watchers Survey Outlook SA (Oct)	49.7
11-18 Nov	CH FDI YTD YoY CNY (Oct)	-30.40%

Source: Bloomberg

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