

Global Markets Research
Daily Market Highlights

11 Dec: Cautious markets ahead of US CPI today

AUD weakened sharply after RBA maintained cash rate with a dovish tilt in its statement

Softer export growth for China; steep drop in imports suggests sluggish domestic demand

Moderation in Malaysia's IPI growth on mining and electricity; manufacturing picked up

- All the 3 major equity indices traded down in tune to 0.3-0.4% d/d in the US, with investors largely cautious and staying at the sideline ahead of the US CPI print tonight. Most sectors closed lower during the session but among individual stocks, Oracle shares slumped after its earnings miss but Alphabet rallied after announcing a breakthrough in quantum computing with the unveiling of its new chip.
- Similarly, Stoxx Eur 600 snapped its winning streak and closed 0.5% d/d lower, while Asian markets closed mixed. CSI 300 rallied 0.7% d/d with sentiment boosted by Beijing's announcement of "more proactive" fiscal measures and "moderately" looser monetary policy next year, while Australia's S&P/ASX 200 closed 0.4% d/d lower after RBA's monetary policy decision. As it is, Asian markets are poised for a sluggish open today, following futures and amid cautiousness ahead of US CPI.
- In the bond space, trading in Treasuries remained quiet as investors remained on the sideline ahead of US CPI. UST fell across the curve, pushing overall benchmark UST yields higher in tune to 2-3bps (prior: 2-5bps higher). Meanwhile, 10Y European bond yields closed mixed in tune to -3 to +5bps (prior: +/-1bp).
- In the forex space, DXY (+0.2% d/d to 106.40) rose for the third day, buoyed by the higher UST yields and the Dollar strengthened against all its G10 peers save GBP (+0.2% d/d). NZD and AUD (-1.0% d/d) were notable laggards, the latter weighed down by the dovish tilt in RBA's monetary policy statement as well as weak import prints from its major trading partner, China. Asian currencies closed mixed against the Dollar, with MYR and SGD depreciating in tune to 0-0.1% d/d, but CNH (+0.1% d/d) outperformed regional peers on prospects of bolder stimulus by China.
- In the commodity space, oil prices closed slightly higher in tune to 0.1%-0.3% d/d amid optimism over China stimulus support and simmering geopolitical tension in the Middle East.

RBA maintained cash rate at 4.35%, growing confidence on inflation sees jump in rate-cut bets

- As widely expected, the Reserve Bank of Australia (RBA) maintained its cash rate target unchanged at 4.35%. The statement was nonetheless more dovish than expected, with the board "**gaining some confidence**" that **inflation is moving sustainably towards target**. The statement also omitted a previous line that the RBA board was "not ruling anything in or out," as well as policy rate needing to remain sufficiently restrictive. In terms of consumer spending, the statement flagged risks that any pick-up in consumption may be slower

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	44,247.83	-0.35
S&P 500	6,034.91	-0.30
NASDAQ	19,687.24	-0.25
Stoxx Eur 600	518.49	-0.52
FTSE 100	8,280.36	-0.86
Nikkei 225	39,367.58	0.53
CSI 300	3,995.64	0.73
Hang Seng	20,311.28	-0.50
Straits Times	3,813.55	0.49
KLCI 30	1,608.97	-0.15
FX		
Dollar Index	106.40	0.24
EUR/USD	1.0527	-0.26
GBP/USD	1.2771	0.16
USD/JPY	151.95	0.49
AUD/USD	0.6377	-0.98
USD/CNH	7.2579	-0.13
USD/MYR	4.4270	0.01
USD/SGD	1.3419	0.11
Commodities		
WTI (\$/bbl)	68.59	0.32
Brent (\$/bbl)	72.19	0.07
Gold (\$/oz)	2,697.60	1.23
Copper (\$\$/MT)	9,216.50	-0.17
Aluminum(\$/MT)	2,608.50	0.79
CPO (RM/tonne)	5,334.50	-0.15

Source: Bloomberg, HLBB Global Markets Research
* CPO dated as of 9 December

than expected. With this, markets are now pencilling in a split chance of a rate cut in February, with a first easing more than fully priced in by April next year.

- Meanwhile, the NAB business confidence index fell sharply from +5 to -3 in November, while business conditions also softened from 7 to 2. The declines were largely broad-based, suggesting ongoing soft growth in 4Q.

Small business optimism jumped above its 50Y average in the US

- The NFIB Small Business Optimism Index rose more than expected by 8 points to 101.7 in November, its highest since June 2021 and for the first time in nearly 3 years, above its 50Y average of 98. The election drove the surge in optimism, as small business owners were more certain over future business conditions, and were hopeful for tax and regulation policies that favor strong economic growth.

Japan's producer prices accelerated; domestic economic condition improved

- In Japan, producer prices (PPI) grew at a faster pace than expected by 3.7% y/y in November (prior: 3.6% y/y) driven by higher costs of electric power, gas & water as well agriculture, forestry & fishing products, while 4Q domestic economic conditions, using BSI Large All Industry index as a gauge, improved by 5.7ppts from 5.1 previously as both manufacturing and non-manufacturing sectors picked up steam.

China's exports slowed sharply ahead of Trump tariff, imports shrank

- China's exports and imports both missed expectations in November, with imports posting its steepest drop in 9 months at -3.9% y/y (prior: 2.3% y/y), while exports slowed sharply to +6.7% y/y from +12.7% previously. Exports to its major trading partners, including the US, mostly rose, and is expected to stay resilient before Trump tariffs. The contraction in imports, meanwhile, suggests sluggish domestic demand and was dragged down by metal and automobile imports this year. Accelerated fiscal spending, nonetheless, is expected to boost demand for imports moving forward.

Continued moderation in industrial output growth for Malaysia; Expect upticks in November and December to underpin overall growth in 4Q

- Malaysia's Industrial Production Index (IPI) witnessed slower growth for the 3rd consecutive month, increasing a mere 2.1% y/y in October (Sept: +2.3% y/y). This came in line with our expectation but slightly below market consensus estimate for a pick-up to +2.6% y/y, and marked its slowest growth in 10 months. Although the headline number appeared weak, we took comfort in the slightly quicker growth in the manufacturing sector (+3.3% vs +3.2% y/y). This helped cushion the blow from mining production (-2.8% vs -2.2% y/y), no thanks to continued decline in crude oil (-7.5% /y) and a near halt (+0.4% y/y) in natural gas output. Within manufacturing, both domestic- and export-oriented sectors expanded at the same pace at 3.3% y/y in October, although this was an uptick for the domestic-oriented sectors (from +2.7% y/y in September), and a deceleration for export-oriented sectors (from +3.4% y/y in September).
- The Malaysian economic outlook remains decent in our view despite the seemingly soft start to 4Q. We are encouraged to see the rebound in E&E production, as this implies improvement in exports ahead, which should be positive for exports and overall growth given its lion share contributing about 40% of total Malaysian exports. In addition, we also expect year end festive demand to help spur the consumer and its related clusters such as food,

beverages & tobacco, transport equipment, as well as textile, wearing apparel, leather & footwear. On this ground, we remain cautiously optimistic that output growth will pick-up in the next few months, keeping our full year GDP growth of 5.2% intact.

House View and Forecasts

FX	This Week	4Q-24	1Q-25	2Q-25	3Q-25
DXY	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	3.25	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
11-Dec	US MBA Mortgage Applications	2.80\$
	US CPI Ex Food and Energy YoY (Nov)	3.30%
	US Real Avg Weekly Earnings YoY (Nov)	1.40%
11-18 Dec	CH FDI YTD YoY CNY (Nov)	-29.80%
12-Dec	AU Unemployment Rate (Nov)	4.10%
	EC ECB Deposit Facility Rate	3.25%
	US PPI Final Demand YoY (Nov)	2.40%
	US Initial Jobless Claims	224k

Source: Bloomberg

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