

Global Markets Research
Daily Market Highlights

12 Dec: US CPI matched forecasts and reinforced rate cut bets

**Risk-on sentiment in financial markets; Nasdaq crossed above 20k; sell-off in Treasuries
BOC signals cautious easing ahead; Beijing reportedly considering letting yuan weaken
ECB likely to cut policy rates by 25bps today; EUR weakened ahead of the decision**

- Nasdaq broke above 20k for the first time ever, lifted by the AI rally and as US CPI matched consensus forecasts, bolstering rate cut bets next week. The tech-heavy index rose 1.8% d/d, while the broad market S&P 500 gained 0.8% d/d. Broadcom was a notable gainer among tech stocks, following reports that the chipmaker was working on an AI chip with Apple, while Alphabet continued to rally amid excitement over its quantum chip.
- The Dow was the outlier and dipped 0.2% d/d, weighed down by consumer staples and healthcare stocks, the latter weighed down by reports that a bipartisan coalition of US lawmakers are introducing a legislation that would force health insurers and drug middlemen to divest their pharmacy businesses.
- Elsewhere, Stoxx Eur 600 inched up 0.3% d/d after the US inflation print, with media stocks leading gains. Asian stocks closed mixed but are poised to climb today, tracking Wall Street and futures.
- In the bond space, Treasury yields retreated after the US CPI, then rebounded. The long-end underperformed, with the 10Y yield finishing at 4.27% (+5bps), while the 2Y closed at 4.15% (+1bps). 10Y European bond yields closed mixed between -2 to +6bps (prior: -3 to +5bps) ahead of the ECB meeting today, where markets are pencilling in another 25bps cut in its policy rates.
- In the forex space, DXY edged up 0.3% d/d to 106.71 following the higher UST yields and the Dollar strengthened against all its G10 peers save NOK and CAD. The loonie appreciated 0.2% d/d after the Bank of Canada cut its policy rate by half point, but signalled cautious easing ahead. EUR depreciated 0.3% d/d before ECB's meeting, while JPY (-0.3% d/d) also underperformed after reports showed that BOJ sees "little cost" to waiting for the next rate hike.
- China-exposed currencies were pressured amid reports that Beijing is considering letting its currency weaken in response to US trade threats. This not only sent AUD and CNH tumbling 0.1% d/d and 0.3% d/d, but also exert downward pressures on most regional currencies including SGD (-0.2% d/d to 1.3447) and MYR (-0.1% d/d to 4.4330).
- In the commodities market, crude oil prices jumped 1.8-2.5% d/d on reports that the Biden administration is considering additional sanctions on Russia's oil trade, a move that could tighten the market.

US inflation print solidified rate cut bets next week

- US inflation prints were in line with consensus forecasts, while real average hourly earnings eased slightly to 1.3% y/y in November from 1.4% y/y previously, both solidifying rate cut bets next week. Headline inflation

Key Market Metrics	Level	d/d (%)
Equities		
Dow Jones	44,148.56	-0.22
S&P 500	6,084.19	0.82
NASDAQ	20,034.89	1.77
Stoxx Eur 600	519.95	0.28
FTSE 100	8,301.62	0.26
Nikkei 225	39,372.23	0.01
CSI 300	3,988.83	-0.17
Hang Seng	20,155.05	-0.77
Straits Times	3,792.82	-0.54
KLCI 30	1,603.20	-0.36
FX		
Dollar Index	106.71	0.29
EUR/USD	1.0496	-0.29
GBP/USD	1.2751	-0.16
USD/JPY	152.45	0.33
AUD/USD	0.6369	-0.13
USD/CNH	7.2791	0.29
USD/MYR	4.4330	0.14
USD/SGD	1.3447	0.21
Commodities		
WTI (\$/bbl)	70.29	2.48
Brent (\$/bbl)	73.52	1.84
Gold (\$/oz)	2,733.80	1.34
Copper (\$\$/MT)	9,192.00	-0.27
Aluminum(\$/MT)	2,601.00	-0.29
CPO (RM/tonne)	5,334.50	-0.15

Source: Bloomberg, HLBB Global Markets Research
* CPO dated as of 10 December

accelerated to 2.7% y/y in November (prior: 2.6% y/y) as prices for food picked up pace, while energy prices fell at a slower rate, while core held steady and elevated at 3.3% y/y and +0.3% m/m. The index for shelter rose 0.3% m/m, accounting for nearly 40% of the monthly increase, while prices of vehicles, household furnishings, medical care and recreation also increased during the month.

- In the housing market, mortgage applications continued with its upward trend, increasing by 5.4% w/w for the week ended December 6 (prior: 2.8% w/w) as lower mortgage rates spurred both purchase and refinance applications. In addition to lower rates, purchase activity will also benefit from pent-up demand and higher inventory moving forward.

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
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
13-Dec	JN Tankan Large Mfg Index (4Q)	13
	UK GfK Consumer Confidence (Dec)	-18
	UK Monthly GDP (MoM) (Oct)	-0.10%
	UK BoE/Ipsos Inflation Next 12 Mths (Nov)	2.70%
	EC Industrial Production SA MoM (Oct)	-2.00%
	US Import Price Index YoY (Nov)	0.80%

Source: Bloomberg

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