

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

## 13 Dec: Central banks continue to lower rates

**Fed rate cut expectations intact despite warmer than expected producer prices**

**CHF underperformed peers after the SNB delivered a larger than expected rate cut**

**ECB cut policy rates by 25bps, as expected; lowered GDP and inflation forecasts**

- US equities took a breather overnight, after the latest inflation left intact the case for another rate cut next week. Nasdaq retreated 0.7% d/d, dipping back below the 20k mark, while S&P 500 and the Dow shed 0.5% d/d each. Tech names were among the notable decliners, but trading was otherwise lacklustre as investors await FOMC's decision next week.
- Elsewhere, Stoxx Eur 600 closed 0.1% d/d lower, with miners and retailers falling the most. Asian markets mostly rose after Wall Street gained on tame inflation data the day before, but may likely retreat today following Wall Street and futures. Of note, China's consumption stocks rallied overnight on expectations of more concrete measures to boost demand.
- In the bond space, 10Y Treasury yields jumped 4-6bps across the curve after the warmer-than-expected producer prices (PPI). The 2Y yield closed up 4bps to 4.19%, while the 10Y yield rose 6bps to 4.33%. 10Y European bond yields jumped 5-16bps (prior: -2 to +6bps) after ECB's decision to cut policy rates, but yield to the 10Y Swiss sovereign bond slid 1bps after the Swiss National Bank (SNB) surprised the market with a 50bps rate cut, exceeding expectations of a smaller trim of 25bps.
- In the forex space, DXY rallied 0.2% d/d to close at 106.96 after the PPI print, and the Dollar strengthened against all its G10 peers save AUD. CHF was the worst performer amongst G10 after SNB's decision, and closed the day 0.9% d/d weaker against USD. EUR also depreciated 0.3% d/d against the Dollar, while AUD closed flat at 0.6369 after the better-than-expected employment data from Australia. Regional currencies closed mixed against USD, with CNH flattish at 7.2759, while MYR and SGD weakened between 0.1-0.2% d/d to close at 4.4383 and 1.3469 respectively against greenback.
- In the commodities market, oil prices snapped their winning streak and closed down 0.2-0.4% d/d after the International Energy Agency (IEA) reported that the world oil market will be comfortably supplied in 2025, even after OPEC+ extended its oil supply cuts and despite expectations of a modestly higher than expected demand forecast.

### ECB lowered policy rates by 25bp, in line with forecasts

- The European Central Bank (ECB) lowered the deposit facility, the main refinancing operations and the marginal lending facility rates by 25bps each to 3.00%, 3.15% and 3.40% respectively. The decision was within expectation and economists are expecting two more rounds of quarter point rate cuts by the end of 1Q to support the sluggish economy.
- Highlights from the accompanying statement include: 1) Economic recovery was slower than expected, and the ECB lowered its GDP forecasts to 0.7%

### Key Market Metrics

	Level	d/d (%)
<b>Equities</b>		
Dow Jones	43,914.12	-0.53
S&P 500	6,051.25	-0.54
NASDAQ	19,902.84	-0.66
Stoxx Eur 600	519.20	-0.14
FTSE 100	8,311.76	0.12
Nikkei 225	39,849.14	1.21
CSI 300	4,028.51	0.99
Hang Seng	20,397.05	1.20
Straits Times	3,809.27	0.43
KLCI 30	1,602.08	-0.07
<b>FX</b>		
Dollar Index	106.96	0.23
EUR/USD	1.0468	-0.27
GBP/USD	1.2673	-0.61
USD/JPY	152.63	0.12
AUD/USD	0.6369	0.00
USD/CNH	7.2759	-0.04
USD/MYR	4.4383	0.12
USD/SGD	1.3469	0.16
<b>Commodities</b>		
WTI (\$/bbl)	70.02	-0.38
Brent (\$/bbl)	73.41	-0.15
Gold (\$/oz)	2,687.50	-1.69
Copper (\$\$/MT)	9,091.50	-1.09
Aluminum(\$/MT)	2,599.50	-0.06
CPO (RM/tonne)	5,187.00	-1.92

Source: Bloomberg, HLBB Global Markets Research  
\* CPO dated as of 11 December

for 2024, 1.1% for 2025 and 1.4% for 2026. ECB added that a recovery rests mainly on rising real incomes and risk to growth is tilted down. 2) EBC believes that the disinflation process is well on track and lowered their headline CPI forecasts to 2.4% in 2024 and 2.1% in 2025. The central bank also expects inflation at 1.9% in 2026 and 2.1% in 2027. 3) Most importantly, the **ECB dropped the line that it needs to keep “interest rate sufficiently restrictive for as long as needed,”** leaving the door open for more rate cuts ahead.

### US producer prices jumped on prices for eggs; claims ticked up, partially due to seasonal volatility

- In the US, PPI unexpectedly accelerated to +0.4% m/m in November (prior: +0.3% m/m), its largest gain in 5 months, with nearly 60% of the increase attributable to the 0.7% m/m (prior: +0.1% m/m) jump in prices of goods, notably due to surge in prices of eggs amid avian flu. Milder costs of services (+0.2% m/m vs +0.3% m/m) such as portfolio management fees and airline fares, nonetheless, offered hope that the disinflationary trend remains in place despite stalled progress.
- On the labour front, jobless claims unexpectedly increased 17k to its 2-month high of 242k for the week ended December 7 (prior: +10k), while the number of people continuing to collect unemployment checks also jumped 15k the week prior (Nov 30: -26k). As it is, claims were partially distorted by some seasonal volatility due to the timing of Thanksgiving but through this volatility, the labour market remains resilient albeit slowing.

### Australia’s unemployment rate unexpectedly inched down to 3.9% as employment picked up

- In contrast, employment numbers in Australia came stronger than expected, with the unemployment rate unexpectedly easing to 3.9% from 4.1% previously, while employment rose more than expected to 35.6k from 12.1k previously due to higher employment in full-time jobs. With unemployment still low and employment around all-time highs, this suggests the labour market remains relatively tight and consequently, traders pared down their rate cut bets for the February’s RBA policy meeting but we are maintaining our view that the first rate will most likely begin in 2Q of 2025.

### Japan’s business sentiment for manufacturers improved for the first time in 2 quarters

Business sentiment among Japan's large manufacturers unexpectedly improved for the first time in two quarters, with the Tankan large manufacturing index increasing to 14 in 4Q from 13 previously. Sentiment amongst non-manufacturers, nonetheless fell 1 point to 33, but with both indices still positive, this suggests that optimists continue to outnumber pessimists and that the economy remains on track for moderate economic recovery ahead.

### House View and Forecasts

FX	This Week	4Q-24	1Q-25	2Q-25	3Q-25
DX	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	3.00	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
13-Dec	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%
16-Dec	AU S&P Global Australia PMI Mfg (Dec P)	49.4
	AU S&P Global Australia PMI Services (Dec P)	50.5
	JN Core Machine Orders MoM (Oct)	-0.70%
	JN Jibun Bank Japan PMI Mfg (Dec P)	49
	JN Jibun Bank Japan PMI Services (Dec P)	50.5
	CH New Home Prices MoM (Nov)	-0.51%
	CH Industrial Production YTD YoY (Nov)	5.80%
	CH Retail Sales YTD YoY (Nov)	3.50%
	CH Fixed Assets Ex Rural YTD YoY (Nov)	3.40%
	CH Surveyed Jobless Rate (Nov)	5.00%
	EC HCOB Eurozone Manufacturing PMI (Dec P)	45.2
	EC HCOB Eurozone Services PMI (Dec P)	49.5
	UK S&P Global UK Manufacturing PMI (Dec P)	48
	UK S&P Global UK Services PMI (Dec P)	50.8
	EC Labour Costs YoY (3Q)	4.70%
	US Empire Manufacturing (Dec)	31.2
	US S&P Global US Manufacturing PMI (Dec P)	49.7
US S&P Global US Services PMI (Dec P)	56.1	
16-25 Dec	CH 1-Yr Medium-Term Lending Facility Rate	2.00%

Source: Bloomberg

### Hong Leong Bank Berhad

Fixed Income & Economic Research, Global  
Markets  
Level 8, Hong Leong Tower  
6, Jalan Damanlela  
Bukit Damansara  
50490 Kuala Lumpur  
Tel: 603-2081 1221  
Fax: 603-2081 8936

[HLMarkets@hlbb.hongleong.com.my](mailto:HLMarkets@hlbb.hongleong.com.my)

**DISCLAIMER**

This report is for information purposes only and does not take into account the investment objectives, financial situation or particular needs of any particular recipient. The information contained herein does not constitute the provision of investment advice and is not intended as an offer or solicitation with respect to the purchase or sale of any of the financial instruments mentioned in this report and will not form the basis or a part of any contract or commitment whatsoever.

The information contained in this publication is derived from data obtained from sources believed by Hong Leong Bank Berhad (“HLBB”) to be reliable and in good faith, but no warranties or guarantees, representations are made by HLBB with regard to the accuracy, completeness or suitability of the data. Any opinions expressed reflect the current judgment of the authors of the report and do not necessarily represent the opinion of HLBB or any of the companies within the Hong Leong Bank Group (“HLB Group”). The opinions reflected herein may change without notice and the opinions do not necessarily correspond to the opinions of HLBB. HLBB does not have an obligation to amend, modify or update this report or to otherwise notify a reader or recipient thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

HLB Group, their directors, employees and representatives do not have any responsibility or liability to any person or recipient (whether by reason of negligence, negligent misstatement or otherwise) arising from any statement, opinion or information, expressed or implied, arising out of, contained in or derived from or omission from the reports or matter.

Potential and actual conflict of interest may arise from the activities of HLB Group. HLB Group constitute a diversified financial services group. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, hedging transactions and other activities for their own account or the account of others. In the ordinary course of their business, HLB Group may effect transactions for their own account or for the account of their customers and hold long or short positions in the financial instruments. HLB Group, in connection with its business activities, may possess or acquire material information about the financial instruments. Such activities and information may involve or have an effect on the financial instruments. HLB Group have no obligation to disclose such information about the financial instruments or their activities.

The past performance of financial instruments is not indicative of future results. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Any projections or forecasts mentioned in this report may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information. No assurance can be given that any opinion described herein would yield favourable investment results. Recipients who are not market professional or institutional investor customer of HLBB should seek the advice of their independent financial advisor prior to taking any investment decision based on the recommendations in this report.

HLBB may provide hyperlinks to websites of entities mentioned in this report, however the inclusion of a link does not imply that HLBB endorses, recommends or approves any material on the linked page or accessible from it. Such linked websites are accessed entirely at your own risk. HLBB does not accept responsibility whatsoever for any such material, nor for consequences of its use.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. This report is for the use of the addressees only and may not be redistributed, reproduced or passed on to any other person or published, in part or in whole, for any purpose, without the prior, written consent of HLBB. The manner of distributing this report may be restricted by law or regulation in certain countries. Persons into whose possession this report may come are required to inform themselves about and to observe such restrictions. By accepting this report, a recipient hereof agrees to be bound by the foregoing limitations.