15 November 2024

Global Markets Research

Daily Market Highlights

15 Nov: Powell: Fed in no rush to cut rates

Traders pared rate cut bets; front-end Treasury yields spiked; equity indices fell

DXY briefly touched 107s; all G10 currencies weakened against USD

US PPI accelerated more than forecasts; headwinds from protectionist policies in 2025

- The three major US equity indices slipped overnight, hit by the double whammy of higher-than-expected PPI prints and after Fed Chair Jerome Powell commented that the economy is not sending any signals that the Fed need to be "in a hurry" to lower rates. This saw traders paring rate cut bets, with the Fed funds futures showing the odds of a December rate cut pulling back to about 63% from 83% on Wednesday. ***We are maintaining our view of a quarter point cut in the December FOMC meeting, but now expect the Fed to cut rates by only 50bps in 2025 in view of a more inflationary outlook which could further aggravated by impending Trump's policies***. The Dow slipped 0.5% d/d during the day, while the S&P 500 and Nasdaq fell in tune to 0.6% d/d each.
- In Europe, Stoxx Eur 600 closed 1.1% d/d higher on bullish growth outlook from the likes of Siemens and ASML, while shares of Burberry also jumped after the British luxury house announced a sweeping overhaul strategy to stem declining sales. Major Asian markets closed in the red but futures are signalling a rebound today.
- In the Treasury market, the 2Y yield spiked 6bps to 4.35% following Powell's hawkish comment, but the 10Y slid 2bps to 4.44%, flattening the curve. In Europe, 10Y sovereign bond yields fell between 2-9bps after the sell-offs the past two sessions.
- In the forex space, the DXY rallied along the spike in short-term Treasury yields. DXY rallied to an intra-day high of 107.06 before paring some of these gains to close the day 0.2% up at 106.67. All G10 currencies weakened against the Dollar by 0.1-0.5% d/d, with JPY, NZD and AUD the notable underperformers. Regional currencies also depreciated against the Dollar save for the CNY and KRW. MYR underperformed most regional peers, weakening 0.9% d/d to 4.4855 vs the USD, while SGD depreciated at a lesser pace of 0.3% /d at 1.3462. ***Given the excessive moves in the forex space the past week, we have revised our house views and forecasts (table at the end of the report).***
- Crude oil prices gained in tune to 0.4% d/d after the Energy Information Administration data showed that US gasoline stockpiles slid to its 10Y seasonal low. Gains were nonetheless capped after the International Energy Agency warned of a potential supply glut of 1m next year.

US PPI accelerated more than expected and risking disinflation trend; jobless claims eased to its lowest since May

- Both headline and core producer prices (PPI) overshot consensus forecasts, potentially risking the Fed's inflation fight especially with additional headwinds from higher tariffs in 2025. Headline PPI picked up more than

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	43,750.86	-0.47
S&P 500	5,949.17	-0.60
NASDAQ	19,107.65	-0.64
Stoxx Eur 600	507.03	1.08
FTSE 100	8,071.19	0.51
Nikkei 225	38,535.70	-0.48
CSI 300	4,039.62	-1.73
Hang Seng	19,435.81	-1.96
Straits Times	3,738.16	0.48
KLCI 30	1,600.68	-0.67
FX		
Dollar Index	106.67	0.18
EUR/USD	1.0530	-0.32
GBP/USD	1.2666	-0.33
USD/JPY	156.27	0.52
AUD/USD	0.6454	-0.48
USD/CNH	7.2538	0.14
USD/MYR	4.4855	0.86
USD/SGD	1.3462	0.25
Commodities		
WTI ($/bbl)	68.70	0.39
Brent ($/bbl)	72.56	0.39
Gold ($/oz)	2,572.90	-0.53
Copper ($$/MT)	8,990.00	-0.63
Aluminum($/MT)	2,516.50	-0.55
CPO (RM/tonne)	5,084.50	0.40

Source: Bloomberg, HLBB Global Markets Research expected by 0.2% m/m and 2.4% y/y in October (prior: +0.1% m/m and +1.9% y/y), while core also accelerated to +0.3% m/m and +3.1% y/y (prior: +0.2% m/m and 2.9% y/y). Most of the rise in PPI can be traced to a 0.3% m/m (prior: +0.2% m/m) increase in services costs, notably due to the jump in portfolio management, while prices of goods also inched up 0.1% m/m (prior: -0.2% m/m).

- On the labour front, jobless claims fell more than expected by 4k to 217k for the week ended November 9 (prior: +3k), its lowest since May, while continuing claims plunged 11k to 1873k the week prior (Oct 26: +31k). Both data suggests still healthy demand for workers and a labour market that should stay resilient going forward amid a solid economy.

Eurozone's employment ticked up +0.2% q/q, 3Q GDP growth maintained at +0.4% q/q

- Employment in the Eurozone accelerated to +0.2% q/q in 3Q, pushing up the y/y growth rate to 1.0% (prior: +0.1% q/q & +0.9% y/y), easing fears that a sluggish jobs market could drag the bloc into recession, especially given weak external demand and the poor performance of the manufacturing sector. Indeed, the overall eurozone economy grew by 0.4% q/q in 3Q (prior: +0.2% q/q), unchanged from its flash estimate, while industrial output fell more than expected by -2.0% m/m for the month of September (prior: +1.5% m/m), the latter with Germany suffering one of the biggest falls amongst the largest economies and that a long-expected recovery could be even further delayed. Further supporting this view is the decline in output of capital goods, a potential signal of soft capex spending going forward.

Australia's unemployment rate remains low at 4.1%; labour market relatively tight

- As compared to pre-pandemic, the unemployment and underemployment measures were still low, while employment and participation measures were at an all-time high. This suggests the labour market, although softening, remains relatively tight and as such, unlikely to spur RBA to cut rates anytime soon. In fact, ***we have pushed back our expectations of the first rate cut to 2Q of 2025***. Matching expectation, unemployment rate held steady for the fifth month in a row at 4.1% In October, with the slower than expected employment growth (+15.9k vs +61.3k) offset by the lower labour participation rate during the month (67.1% vs 67.2%).

Japan's 3Q GDP slowed to annualized growth rate of 0.9% in 3Q

- Japan's economy grew at a slower pace of 0.9% q/q in 3Q. Although better than expected, this marks a slowdown from 2.2% q/q previously due to a contraction in business spending as well net exports contribution to GDP. While growth during the quarter was likely dented by temporary factors like the typhoon and uncertainties ahead of the change in the government, this also reaffirmed our view that the BOJ will most likely maintain its policy rates unchanged at this juncture.

House View and Forecasts

FX	This Week	4Q-24	1Q-25	2Q-25	3Q-25
DXY	103-106	105.78	105.51	103.40	102.37
EUR/USD	1.06-1.10	1.05	1.05	1.07	1.08
GBP/USD	1.28-1.32	1.28	1.28	1.31	1.32
USD/JPY	150-155	153	153	148	146
AUD/USD	0.65-0.68	0.65	0.66	0.67	0.68

USD/MYR	4.36-4.45	4.40	4.40	4.30	4.26
USD/SGD	1.30-1.34	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
15-Nov	CH New Home Prices MoM (Oct)	-0.71%
	CH Industrial Production YTD YoY (Oct)	5.80%
	CH Retail Sales YTD YoY (Oct)	3.30%
	CH Fixed Assets Ex Rural YTD YoY (Oct)	3.40%
	CH Surveyed Jobless Rate (Oct)	5.10%
	MA GDP YoY (3Q F)	5.30%
	HK GDP YoY (3Q F)	1.80%
	UK GDP QoQ (3Q P)	0.50%
	US Empire Manufacturing (Nov)	-11.9
	US Retail Sales Advance MoM (Oct)	0.40%
	US Import Price Index YoY (Oct)	-0.10%
	US Manufacturing (SIC) Production (Oct)	-0.40%
18-Nov	JN Core Machine Orders MoM (Sep)	-1.90%
	UK Rightmove House Prices YoY (Nov)	1.00%
	SI Non-oil Domestic Exports SA MoM (Oct)	1.10%
	EC Trade Balance NSA (Sep)	4.6b
	US New York Fed Services Business Activity (Nov)	-2.2
	US NAHB Housing Market Index (Nov)	43

Source: Bloomberg

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