

Global Markets Research
Daily Market Highlights

17 Dec: Investors on the sideline ahead of policy decisions

UST yields barely nudged; USD closed mixed against G10 ahead of central bank meetings

Mostly expansionary composite PMIs for the majors; Growth skewed towards services

CSI 300, CNH tumbled following the weak retail sales data from China

- Global equities closed mixed on Monday as traders gear up for interest rate decisions by major central banks later this week. In the US, tech stocks continued to rally, sending Nasdaq surging 1.2% d/d to another record, while S&P 500 also added 0.4% d/d. The Dow (-0.3% d/d) underperformed, falling for its eight straight session and marking its longest run of losses since 2018, as sleeper sectors like healthcare struggled to keep up.
- Elsewhere, disappointing economic data dragged down stocks in Europe, while CAC 40 tumbled 0.7% d/d after Moody's downgraded France's rating to Aa3 from Aa2 previously. In Asia, Chinese stocks fell following the poor retail sales data, and are poised to open lower today given cautiousness ahead of the key policy decisions.
- In the bond space, Treasury yields closed mixed and little changed as investors prepared for a potential 25bps Fed rate cut. The benchmark 2Y yield closed just above the flatline at 4.25%, while the 10Y closed flat at 4.40%. In Europe, 10Y sovereign bond yields closed mixed between -2 to +3bps, after closing mostly higher between 4-7bps the day prior.
- In the forex space, the Dollar closed mixed against its G10 peers and the DXY fell 0.1% to 106.86. JPY (-0.3% d/d) and CHF (-0.2% d/d) underperformed their G10 peers, while GBP and EUR outperformed, strengthening by 0.5% d/d and 0.1% against USD despite their dismal PMIs relatively to the US. Most regional currencies weakened against USD, led by PHP and CNH (-0.2% d/d). SGD also depreciated by 0.1% d/d against USD, while MYR closed flattish at 4.4493.
- In the commodity space, crude oil prices slipped in tune to 0.8% d/d after the weak consumer spending data from China reinforced the weak demand outlook. Lending some support for prices were nonetheless, EU sanction on additional 52 tankers that predominantly ship Russian crude.

Composite S&P PMIs for the majors were mostly expansionary

- The headline S&P Global US Composite rose more than expected to 56.6 in December from 54.9 previously, marking its fastest expansion since March 2022. Growth remained skewed towards the services (58.5 vs 56.1) sector, where an acceleration of growth is in contrast with the steepening downturn in manufacturing (48.3 vs 49.7), the latter weighed down by worries over the impact of tariffs and inflation. With the 12-month outlook trending to its 2.5-year high, this suggests the robust economic upturn will persist into the new year and could also become more broad-based.
- The flash Composite PMI (49.5 vs 48.3) for the Eurozone showed that business activity contracted for the second month. Although modest and better than expected, the downturn in activity reflects the steep contraction in the manufacturing (unchanged at 45.2) sector, while the services sector (51.4 vs

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	43,717.48	-0.25
S&P 500	6,074.08	0.38
NASDAQ	20,173.89	1.24
Stoxx Eur 600	515.83	-0.12
FTSE 100	8,262.05	-0.46
Nikkei 225	39,457.49	-0.03
CSI 300	3,911.84	-0.54
Hang Seng	19,795.49	-0.88
Straits Times	3,821.03	0.28
KLCI 30	1,606.85	-0.12
FX		
Dollar Index	106.86	-0.14
EUR/USD	1.0512	0.10
GBP/USD	1.2683	0.51
USD/JPY	154.15	0.33
AUD/USD	0.6371	0.14
USD/CNH	7.2923	0.15
USD/MYR	4.4493	0.00
USD/SGD	1.3498	0.07
Commodities		
WTI (\$/bbl)	70.71	-0.81
Brent (\$/bbl)	73.91	-0.78
Gold (\$/oz)	2,651.40	-0.17
Copper (\$\$/MT)	9,062.50	0.11
Aluminum(\$/MT)	2,566.50	-1.48
CPO (RM/tonne)	5,151.00	0.11

Source: Bloomberg, HLBB Global Markets Research
* CPO dated as of 13 December

49.5) rebounded slightly. Of note, price indicators showed that input costs rose at a faster pace for the third month and selling prices followed suit, the former due to elevated wage agreements (unit labour costs: +4.6% y/y in 3Q vs 5.2% in 2Q), and as such, ECB will likely play it safe by only cutting rates by 25bps each time moving forward.

- The Composite PMI (below forecast and unchanged at 50.5) suggests that the UK economy largely stalled at the end of 2024, with the manufacturing (47.3 vs 48.0) sector registered its fastest pace of decline since January, while the services (51.4 vs 50.8) sector rebounded from its 13-month low. With confidence at its 2-year low and firms reportedly pulling back in hiring due to the increase in National Insurance contribution, this suggests business activity may deteriorate heading into 2025.
- Flash PMI for Japan signalled a further pick-up in business activity (50.8 vs 50.1). Although marginal, this is the strongest since September driven by an acceleration in the services sector (51.4 vs 50.5), while manufacturing (49.5 vs 49.0) remained subdued. Overall optimism remained above average, suggesting that firms were confident that output will continue to rise in the coming year.

Australia's consumer confidence fell on renewed concerns over economic outlook

- Weighed down by loss of confidence around the economic outlook, consumer confidence, using the Westpac index as a gauge, deteriorated by 2.0% m/m in December after November's +5.3% m/m. Accordingly, the loss of confidence reflects several factors, including a disappointing 3Q GDP, a more unsettled global backdrop as well as ongoing uncertainty around inflation and interest rates easing.

Still sluggish consumer and property sectors for China; IPI growth picked up ahead of trade tensions

- Mixed November prints from China, a sign that domestic demand has remained sluggish despite the first phase of stepped-up stimulus. Retail sales unexpectedly took a leg down to +3.0% y/y from 4.8% y/y previously, weighed down by discretionary spending while beneficiaries from the trade-in policies, like auto and household appliances continued to perform strongly.
- The production sector continued to outperform, with growth matching expectations to accelerate to 5.4% y/y from 5.3% y/y previously but this was likely due to order front-loading ahead of the US tariffs in 2025. Fixed asset investment YTD expanded by 3.3%, but was still missing the forecast as property investment remained sluggish at -20.0% y/y. Nonetheless, glimpses of stability within the property sector are visible as the contraction in new and used home prices continued to narrow to 0.2% m/m and -0.4% m/m respectively (prior: -0.5% m/m and -0.5% m/m).

House View and Forecasts

FX	This Week	4Q-24	1Q-25	2Q-25	3Q-25
DXY	105-108	1ca05.78	105.51	103.40	102.37
EUR/USD	1.03-1.07	1.05	1.05	1.07	1.08
GBP/USD	1.26-1.30	1.28	1.28	1.31	1.32
USD/JPY	149-155	153	153	148	146
AUD/USD	0.62-0.65	0.65	0.66	0.67	0.68
USD/MYR	4.39-4.47	4.40	4.40	4.30	4.26
USD/SGD	1.33-1.36	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
17-Dec	SI Non-oil Domestic Exports SA MoM (Nov)	-7.40%
	UK Weekly Earnings ex Bonus 3M/YoY (Oct)	4.80%
	UK ILO Unemployment Rate 3Mths (Oct)	4.30%
	EC ZEW Survey Expectations (Dec)	12.5
	EC Trade Balance SA (Oct)	13.6b
	US Retail Sales Advance MoM (Nov)	0.40%
	US Industrial Production MoM (Nov)	-0.30%
	US NAHB Housing Market Index (Dec)	46
18-Dec	AU Westpac Leading Index MoM (Nov)	0.18%
	JN Exports YoY (Nov)	3.10%
	MA Exports YoY (Nov)	1.60%
	UK CPI Core YoY (Nov)	3.30%
	UK RPI YoY (Nov)	3.40%
	UK PPI Output NSA YoY (Nov)	-0.80%
	UK House Price Index YoY (Oct)	2.90%
	US MBA Mortgage Applications	5.40%
	US Building Permits MoM (Nov)	-0.60%
	US Housing Starts MoM (Nov)	-3.10%
US FOMC Rate Decision (Upper Bound)	4.75%	

Source: Bloomberg

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