

Global Markets Research
Daily Market Highlights

20 Nov: Geopolitical tension drove demand for haven assets

Sovereign bonds gained on safety bids; rally in safe haven currencies subsequently faded
RBA minutes revealed discussion on all possible scenarios; AUD gained
Malaysia's and Japan's exports rebounded; benefitted from the tech exports

- Nasdaq popped another 1.0% d/d overnight driven by further rally in Nvidia shares and as investors largely shrugged off concerns of mounting geopolitical tensions between Ukraine and Russia. The S&P 500 also gained 0.4% d/d, but the Dow slid 0.3% d/d. Nvidia shares climbed nearly 5% as investors look forward to its latest quarterly earnings due today, while Walmart rallied 3.0% after lifting its full year financial target.
- European markets, nonetheless, sank earlier in the day after Ukraine hit Russia with US-made longer-range missiles, prompting President Vladimir Putin to approve and expand an updated nuclear doctrine. Most sectors pulled back, led by banking stocks. Asian markets, meanwhile, mostly rose, with CSI 300 and Hang Seng gaining 0.7% and 0.4% d/d respectively after Beijing pledged to open markets and support Hong Kong at the Global Financial Leaders' Investment Summit.
- The geopolitical tension spurred flight to haven demand such as bonds, driving yields lower between 0-3bps across the curve for Treasuries. The 2Y yield closed just below the flatline at 4.28%, while the 10Y fell 2bps to 4.40%. Similarly, 10Y European bond yield also fell 2-5bps save for the Belgium sovereign bonds.
- DXY rose to an intra-day high at 106.63 in an initial boost to safe-haven currencies such as the greenback, CHF and JPY, but erased gains later in the day to close 0.1% d/d down at 106.19. Most G10 currencies strengthened against USD save for the EUR, SEK and DKK. Commodity-currencies like CAD and AUD led gains at 0.4% d/d each, while safe haven CHF appreciated by 0.1% d/d. JPY closed flat at 154.66. Regional currencies also mostly strengthened against the Dollar, with MYR and SGD appreciating in tune to 0.1-0.2% d/d to 4.4727 and 1.3375 respectively. CNH, on the other hand, depreciated 0.1% d/d to close at 7.2366.
- In the crude oil market, prices inched up 0-0.3% d/d amid the heightened geopolitical tension. Nonetheless, Iran agreeing to cap uranium stock needed to make bombs helped to put a lid on prices.

RBA discussed scenarios to cut, hike and hold policy rates for longer

- Key highlight from the minutes to RBA's November policy meeting, in our opinion, was that policy makers discussed potential scenarios that would warrant an adjustment in monetary policy, be it to cut, hike or hold at the current rate for longer. This includes both upside and downside risks for rates stemming from consumption and inflation, possibility that the labour market eases sharper than expected justifying a looser policy stance, as well as supply capacity that is more limited than assumed, necessitating a tighter stance. Policy makers also said that if inflation declined materially more

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	43,268.94	-0.28
S&P 500	5,916.98	0.40
NASDAQ	18,987.47	1.04
Stoxx Eur 600	500.60	-0.45
FTSE 100	8,099.02	-0.13
Nikkei 225	38,414.43	0.51
CSI 300	3,976.89	0.67
Hang Seng	19,663.67	0.44
Straits Times	3,757.97	0.68
KLCI 30	1,602.34	-0.11
FX		
Dollar Index	106.21	-0.06
EUR/USD	1.0596	-0.02
GBP/USD	1.2682	0.03
USD/JPY	154.66	0.00
AUD/USD	0.6532	0.37
USD/CNH	7.2366	0.13
USD/MYR	4.4727	-0.15
USD/SGD	1.3380	-0.05
Commodities		
WTI (\$/bbl)	69.39	0.33
Brent (\$/bbl)	73.31	0.01
Gold (\$/oz)	2,631.00	0.63
Copper (\$\$/MT)	9,087.50	0.17
Aluminum(\$/MT)	2,644.50	1.42
CPO (RM/tonne)	5,072.00	-0.48

Source: Bloomberg, HLBB Global Markets Research
 *CPO dated as of 18 November

quickly than expected, warranting an easing in policy, decision makers **would need to observe more than one good quarterly inflation outcome to be confident that such a decline in inflation was sustainable**. This suggests that any rate cuts will likely occur earliest in 2Q of 2025. During the meeting, members also discussed offshore risks which would materially change RBA's forecasts and have implications for monetary policy. These include potential major changes in US economic policy following the presidential election, the prospect of the size/composition of China's stimulus package differing from expectations, and unsustainable growth in global government debt.

- Data this morning, meanwhile, showed that the Leading Index grew at a faster pace of 0.2% m/m in October (prior: +0.01% m/m) largely driven by improved consumer sentiment. Given that the 6-months annualized growth rate has turned positive, this suggests that economic growth will likely improve in the coming months.

Worse than expected US housing starts and building permits, with hurricanes disrupting construction activities

- US housing starts declined more than expected by 3.1% m/m (prior: -1.9% w/w) in October to 1.3m annualized rate, the slowest pace in three months. Notably, steep declines were recorded in the South, as builders put-off construction activities due to hurricanes Helene and Milton. Building permits, a proxy for future construction, also came worse than expected, unexpectedly falling 0.6% m/m (prior: +3.1% m/m), although permits for single family homes rose to its fastest pace since April. With this, data has shown that residential construction has subtracted to economic growth for two quarters, and may likely extend this decline into 4Q.

Japan's trade data overshoots forecasts

- Trade data came above forecasts, with exports rebounding to 3.1% y/y for October while imports slowed to +0.4% m/m (prior: -1.7% m/m vs +1.8% m/m). As it is, exports are likely to return to an uptrend, mainly due to a recovery in global demand for IT-related goods and as overseas economies continue to grow moderately and support the recovery for Japan, while noting that headwinds persist on rising protectionism in the US, which could hinder global trade activities.

Malaysia's exports rebounded less than expected with pockets of weakness from Asian markets

- Exports rebounded to increase 1.6% y/y in October, marking a turnaround from the 0.6% y/y decline in September (downwardly revised from -0.3% y/y). Although the rebound is in line with our view that September's contraction was just a blip, the rebound was shallower than what we and markets expected. Meanwhile, imports growth moderated for the 2nd straight month to +2.6% y/y in October (Sept: +10.9% y/y), its smallest increase in almost a year, amid slower growth in intermediate goods imports and contraction in capital goods imports. The only comfort is that the trade surplus remained relatively steady at RM12.0bn (Sept: RM12.8bn), and that the gap between exports and imports growth has been narrowing for the 2nd straight month, which we are hopeful of being supportive to overall GDP.
- October's exports numbers pointed to a weak start to 4Q, as demand from key export markets most notably those from the region appeared to be losing some steam. We nonetheless expect better traction in the remaining two months of the year, riding on continuous spillover from the global tech

upcycle, higher palm oil prices as well as some year-end seasonal boost. Further out, the external outlook has turned a tad more uncertain, much dependable on President-elect Trump's policies and potential retaliation from its trading partners.

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	1.03-1.08	1.05	1.05	1.07	1.08
GBP/USD	1.26-1.29	1.28	1.28	1.31	1.32
USD/JPY	151-157	153	153	148	146
AUD/USD	0.63-0.68	0.65	0.66	0.67	0.68
USD/MYR	4.42-4.51	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
20-Nov	CH 5-Year Loan Prime Rate	3.60%
	UK CPI Core YoY (Oct)	3.20%
	UK PPI Output NSA YoY (Oct)	-0.70%
	UK House Price Index YoY (Sep)	2.80%
21-Nov	US MBA Mortgage Applications	0.50%
	HK CPI Composite YoY (Oct)	2.20%
	UK CBI Trends Total Orders (Nov)	-27
	US Philadelphia Fed Business Outlook (Nov)	10.3
	US Initial Jobless Claims	217k
	EC Consumer Confidence (Nov P)	-12.5
	US Leading Index (Oct)	-0.50%
	US Existing Home Sales MoM (Oct)	-1.00%

Source: Bloomberg

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