

Global Markets Research
Daily Market Highlights

20 Dec: BOE and BOJ left policy rates unchanged

**Equities continued to feel the rumble from Fed's hawkish cut; UST yields closed mixed
DXY held firmly above 108; GBP and JPY closed the day weaker after their policy decisions
US' 3Q GDP revised up on consumer spending, exports; All eyes on core-PCE prices today**

- US equities ended a choppy session with modest losses, struggling to rebound from the Fed-fuelled sell-off the prior day. While the Dow narrowly snapped its longest losing streak since 1974 and closed just above the flatline, the S&P 500 and Nasdaq fell in tune to 0.1% d/d each.
- Traders remained nervous following FOMC's surprise hawkish cut, and were also contending with the looming government shutdown amid continuing discussions in Washington. At the point of writing, the House has rejected a temporary funding plan to avert a government shutdown. Data wise was positive, with US GDP revised up to 3.1% q/q for 3Q.
- Elsewhere, markets in Europe fell, while Asian markets closed mixed after Fed's hawkish cut. The latter is set to open lower today, echoing Wall Street's downbeat mood.
- In the bond space, Treasury yields closed mixed (-4 to +6bps) with the short-end recovering from Wednesday's losses. The 2Y yield fell 4bps to 4.32%, while the 10Y rose another 5bps to 4.56%. In Europe, 10Y bond yields increased in tune to 2-11bps (prior: +1 to +4bps), save the Norwegian bonds.
- In the forex space, DXY closed the day 0.4% d/d higher at 108.41, with JPY (-1.7% d/d) and GBP (-0.6% d/d) underperforming their peers after the respective central banks left their policy rates unchanged. SEK led gains, strengthening 0.9% d/d after the Riksbank cut its policy rate by 25bps to 2.50% as expected. On the regional front, most Asian currencies weakened against USD following Fed's cautionary easing path. IDR, THB and MYR (-0.8% d/d to 4.5057) were notable laggards, while CNH and SGD were the outliers and appreciated between 0.1-0.2% d/d against the Dollar.
- In the commodity space, crude oil prices tumbled in tune to 0.7-1.0% d/d amid the strong USD, and after China's oil refiner said that gasoline demand in the nation likely peaked, adding to supply glut concerns for 2025.

BOE maintained Bank Rate at 4.75% in a 6-3 majority vote

- As widely expected, the Bank of England (BOE), by a 6-3 majority vote, left the Bank Rate unchanged at 4.75%. 3 members preferred to lower the policy rates by 25bps. Highlights from the accompanying statement include: 1) The central bank maintained its stance, "a gradual approach to removing monetary policy restraint remains appropriate." 2) UK's GDP growth has been weaker than expected and the BOE downgraded its GDP forecast for 4Q to no growth (prior estimate: +0.3%). 3) November's inflation was slightly higher than expected, and headline CPI is expected to continue to rise slightly in the near term. The bank added that elevated inflation perceptions (from the reduction in winter fuel payments, higher bus fares & vehicle excise duty, increases in the Ofgem

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	42,342.24	0.04
S&P 500	5,867.08	-0.09
NASDAQ	19,372.77	-0.10
Stoxx Eur 600	506.66	-1.51
FTSE 100	8,105.32	-1.14
Nikkei 225	38,813.58	-0.69
CSI 300	3,945.46	0.09
Hang Seng	19,752.51	-0.56
Straits Times	3,762.88	-0.44
KLCI 30	1,600.09	0.03
FX		
Dollar Index	108.41	0.35
EUR/USD	1.0363	0.10
GBP/USD	1.2502	-0.57
USD/JPY	157.44	1.71
AUD/USD	0.6239	0.34
USD/CNH	7.3091	-0.22
USD/MYR	4.5057	0.80
USD/SGD	1.3613	-0.13
Commodities		
WTI (\$/bbl)	69.91	-0.95
Brent (\$/bbl)	72.88	-0.69
Gold (\$/oz)	2,592.20	-1.68
Copper (\$\$/MT)	8,883.00	-1.61
Aluminum(\$/MT)	2,507.00	-0.85
CPO (RM/tonne)	4,839.00	-2.99

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

price cap in October & January and higher food prices) could add to persistent domestic inflationary pressures.

BOJ maintained policy rate at 0.25% in an 8-1 majority vote

- As anticipated, the Bank of Japan (BOJ), by an 8-1 majority vote, maintained the uncollateralized overnight call rate unchanged at around 0.25%, with Tamura Naoki dissenting in favour of raising rates to 0.50% given that prices had become more skewed to the upside. In the accompanying statement, the central bank said that it expects the economy to grow above its potential growth rate, but there are high uncertainties surrounding Japan's economic activity and prices. The bank also added that with firms' behaviour tilted toward raising wages and prices recently (data this morning showed that core inflation picked up for the first time in 3 months by 2.7% y/y in November), **exchange rate developments are more likely to affect prices now as compared to the past**, signalling that yen may play a bigger role in its interest rate policy.
- In the press conference, BOJ Governor Kazuo Ueda opened up the possibility of waiting longer for the next interest rate hike, citing uncertainty from the incoming US administration's policies, and saying that the sustainability of wage increases will be clearer in the next spring wage negotiation.

US' 3Q GDP revised up; leading index recorded its first increase since 2022; existing home sales jumped more than expected; jobless claims fell more than expected

- A set of positive economic data from the US. The final 3Q GDP was revised up 0.3ppts to 3.1% (2Q: +3.0%) primarily reflecting upward revisions to exports and consumer spending, while the first increase in the leading index (LEI) since February 2022 suggests that future economic activity will likely stay positive. The LEI rose by 0.3% m/m in November, better than October's -0.4% m/m and consensus forecast's -0.1% m/m, boosted by a rebound in building permits, continued support from equities, improvement in average hours worked in manufacturing as well as fewer jobless claims.
- On the housing front, existing home sales rose more than expected by 4.8% m/m to 4.15m in November (prior: +3.4% m/m). This marks its strongest m/m gain since March, even as median existing-home sales price rose 4.7% y/y to \$406.1k. Despite affordability challenges from elevated mortgage rates and home prices, sales will continue to benefit from the solid labour market, higher housing inventory and as existing homeowners capitalise in the housing equity to look for homes better suited to their needs.
- Jobless claims remain low and fell by more than expected to 220k (-22k vs +17k) for the week ended December 14 in holiday season volatility, while continuing claims, a proxy for the number of people receiving benefits, also declined by 5k to 1874k the week prior (Nov 30: +8k)

House View and Forecasts

FX	This Week	4Q-24	1Q-25	2Q-25	3Q-25
DXY	105-108	105.78	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	4.25-4.50	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
20-Dec	CH 5-Year Loan Prime Rate	3.60%
	CH 1-Year Loan Prime Rate	3.10%
	MA CPI YoY (Nov)	1.90%
	MA Foreign Reserves	\$118.3b
	UK Retail Sales Ex Auto Fuel MoM (Nov)	-0.90%
	HK CPI Composite YoY (Nov)	1.40%
	US Core PCE Price Index YoY (Nov)	2.80%
	EC Consumer Confidence (Dec P)	-13.7
	US U. of Mich. Sentiment (Dec F)	74
23-Dec	SI CPI Core YoY (Nov)	2.10%
	UK GDP QoQ (3Q F)	0.10%
	US Conf. Board Consumer Confidence (Dec)	111.7

Source: Bloomberg

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