

Global Markets Research
Daily Market Highlights

21 Nov: Cautious tone in the financial markets

**Geopolitical tension weighed on equities; DXY resumed climb amid higher UST yields
Added signs of sticky inflation - quicker wage growth in Eurozone; UK CPI back above 2.0%
CNH weakened after China banks maintained lending rates**

- US equity indices closed little changed and mixed, as investors traded on a cautious note ahead of highly anticipated earnings report by Nvidia, while the Russian-Ukraine war also dampened appetite for equities. Consequently, the S&P 500 closed flat during the day, while Nasdaq also lost 0.1% d/d. The Dow was out the outlier, gaining 0.3% d/d during the day. Nvidia reported earnings beat for 3Q after the bell, but gave a 4Q forecast that missed the most optimistic expectation. Outside of tech, Target shares plunged 22% d/d after reporting an earnings miss, a day after Walmart shares reported a stellar quarter.
- Simmering geopolitical tension also weighed on European equities, sending Stoxx Eur 600 closing below the flatline while FTSE 100 slid 0.2% d/d. Asian markets closed mixed after China refrained from cutting lending rates, and are set for a muted open today following the performance of Wall Street overnight.
- In the bond space, Treasuries fell across the curve amid a lukewarm reception to a 20Y bond auction, adding to the cautious tone in Wall Street. Consequently, we saw yields to the 2Y rising 3bps to 4.31%, while the 10Y inched up 1bps to 4.41%. Similarly, 10Y European bond yields were also modestly up in tune to 1-3bps.
- In the forex space, DXY resumed its upward climb amid higher UST yields, closing up 0.5% d/d to 106.68. The Dollar strengthened against all its G10 peers, with SEK, NOK and NZD underperforming their peers. GBP initially strengthened to an intra-day high of 1.2657 against USD following the hotter-than-expected UK CPI print, but later pared its gains to close 0.2% d/d weaker at 1.2652. Regional currencies also weakened against the Dollar save for the MYR (+0.03% d/d at 4.4713), while SEK, JPY (-0.5% d/d) and SGD (-0.4% d/d) underperformed all their regional peers.
- Oil prices settled 0.7-0.8% d/d lower after the Energy Information Administration reported higher US crude and gasoline stocks last week, but losses were largely capped given worries over the intensifying war between Russia and Ukraine.

Banks in China maintained status quo for lending rates

- China banks maintained their 1- and 5Y loan prime rates unchanged at 3.10% and 3.60% respectively. The move was in line with the central bank's steady stance recently, likely to stem further depreciation in the yuan and also giving Beijing time to assess the effects of recent stimulus measures. As it is, recent domestic demand indicators have largely remained weak, albeit showing signs of stabilizing if not recovery, while exports have stayed resilient but will face headwinds from protectionist policies from the US next year.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	43,408.47	0.32
S&P 500	5,917.11	0.00
NASDAQ	18,966.14	-0.11
Stoxx Eur 600	500.49	-0.02
FTSE 100	8,085.07	-0.17
Nikkei 225	38,352.34	-0.16
CSI 300	3,985.77	0.22
Hang Seng	19,705.01	0.21
Straits Times	3,743.64	-0.38
KLCI 30	1,598.18	-0.26
FX		
Dollar Index	106.68	0.45
EUR/USD	1.0544	-0.49
GBP/USD	1.2652	-0.24
USD/JPY	155.44	0.50
AUD/USD	0.6506	-0.40
USD/CNH	7.2511	0.20
USD/MYR	4.4713	-0.03
USD/SGD	1.3430	0.37
Commodities		
WTI (\$/bbl)	68.87	-0.75
Brent (\$/bbl)	72.81	-0.68
Gold (\$/oz)	2,651.70	0.79
Copper (\$\$/MT)	9,089.50	0.02
Aluminum(\$/MT)	2,644.00	-0.02
CPO (RM/tonne)	5,053.50	-0.36

Source: Bloomberg, HLBB Global Markets Research
*CPO dated as of 19 November

US mortgage applications picked up momentum despite higher rates

- Despite the uptick in rates for the fourth week, mortgage applications picked up pace for the week ended November 15 (+1.7% w/w vs +0.5% w/w) largely driven by purchase applications. Accordingly, sale inventory has loosened in some markets and some potential buyers have been able to take advantage of increasing supply and lower FHA rates, boosting applications for mortgages during the week.

Eurozone's wage growth accelerated in 3Q; complicating ECB's easing policy

- Negotiated wage growth accelerated to 5.4% y/y in 3Q from 3.5% y/y previously, largely driven by an 8.8% y/y jump in wages in Germany. The uptick is the highest since at least 1999, when the common currency was introduced, but is expected to slow sharply in 2025 and 2026, helping to return inflation sustainably to the 2% target. As it is, the jump in 3Q will make the ECB more cautious in making large rate cuts, but unlikely to deter the ECB from cutting rates again in December to support the flagging economy.

Sticky prices in the UK; CPI back above 2.0%

- Inflation picked up sharper than expected to 2.3% y/y in October, while core came in at 3.3%, also above forecasts (prior: 1.7% y/y and 3.2% y/y). The uptick was expected due to an increase in the regulator-set energy price cap during the month, while services costs also ticked up moderately to 5.0% y/y from 4.9% y/y previously. With inflation expected to drift higher in coming months in view of rising energy bills during the winter months, impact from the Autumn budget and possibly from global trade frictions, we expect the BOE to err on the side of caution in terms of rate cuts, and maintain our view that the Bank will mostly likely maintain status quo in the December monetary policy meeting.
- Meanwhile, producer prices fell less than expected by 0.8% y/y (prior: -0.6% y/y) in October, while the House Price Index accelerated to 2.9% y/y in September from 2.7% y/y previously, as prices surged in the North East region but slid slightly for London.

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	1.03-1.08	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
21-Nov	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%
22-Nov	US Kansas City Fed Manf. Activity (Nov)	-4
	AU Judo Bank Australia PMI Mfg (Nov P)	47.3
	AU Judo Bank Australia PMI Services (Nov P)	51
	JN Natl CPI Ex Fresh Food YoY (Oct)	2.40%
	UK GfK Consumer Confidence (Nov)	-21
	JN Jibun Bank Japan PMI Mfg (Nov P)	49.2
	JN Jibun Bank Japan PMI Services (Nov P)	49.7
	MA CPI YoY (Oct)	1.80%
	UK Retail Sales Inc Auto Fuel MoM (Oct)	0.30%
	MA Foreign Reserves	\$117.6b
	EC HCOB Eurozone Manufacturing PMI (Nov P)	46
	EC HCOB Eurozone Services PMI (Nov P)	51.6
	UK S&P Global UK Manufacturing PMI (Nov P)	49.9
	UK S&P Global UK Services PMI (Nov P)	52
	US S&P Global US Manufacturing PMI (Nov P)	48.5
	US S&P Global US Services PMI (Nov P)	55
	US U. of Mich. Sentiment (Nov F)	73
	US Kansas City Fed Services Activity (Nov)	5

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

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