

Global Markets Research
Daily Market Highlights

27 Nov: All eyes on US PCE prices today

FOMC minutes: Gradual rate cuts ahead amid uncertainties over the neutral rate

Trump's tariff threat sent US equities higher; European and Asian markets tumbled

UST yields & DXY closed modestly higher; CAD amongst the notable laggards amongst G10

- Global equity markets essentially closed mixed after Trump threatened to impose sweeping new tariffs on Mexico, Canada and China when he takes office on January 20. The S&P 500 (+0.6% d/d) and the Dow (+0.3% d/d) jumped to fresh records, with investors largely shaking off Trump's threat of a 25% tariff on products from Mexico and Canada, as well as an additional 10% levy on Chinese goods. The announcement nonetheless rattled financial markets in the Asia and European region, sending major indices closing mostly in the red and auto stocks like Stellantis and Volkswagen falling sharply during the day.
- In the bond space, investors took Trump's threat and FOMC minutes in stride and the Treasury yields closed modestly higher between 0-3bps (prior: -10 to -13bps). The 2Y yield closed 1bps up at 4.26%, while the 10Y rose 3bps to 4.31%. Meanwhile, 10Y European bond yields closed mixed between -/+3bps after sliding 2-8bps the previous day.
- In the forex space, the greenback strengthened against all its G10 peers save for the JPY (+0.8% d/d) and GBP (flattish) after Trump's tariff threat, sending the DXY up 0.2% d/d to 107.01 after reaching an intraday high of 107.50. NOK, AUD and CAD were the laggards amongst G10 currencies, depreciating between 0.5-0.6% d/d, while EUR weakened by a lesser pace of 0.1% d/d. Except for the JPY and KRW, Asian-trade dependent currencies also took a beating from Trump's announcement and with IDR a notable underperformer. CNH, MYR and SGD weakened between 0.1-0.2% d/d to 7.2578, 4.4578 and 1.3467 respectively.
- In the oil market, both the WTI and Brent (-0.3% d/d) extended another day of decline in anticipation of an Israel and Lebanon-based Hezbollah ceasefire. At the point of writing, President Joe Biden said the deal to a permanent ceasefire has been accepted and will take effect at 4am local time. Meanwhile, OPEC+ is set to meet Dec 1 to discuss production plans.

Fed officials see gradual rate cuts ahead amid uncertainties over the level of neutral rates; Consumer confidence jumped, but new home sales plunged

- Highlights from the minutes to the latest FOMC meeting include: 1) Many FOMC members observed that **uncertainties over the level of the neutral rate** complicated the assessment of the degree of restrictiveness for monetary policy and thus, it is appropriate to **ease monetary policy gradually**. Of note, some even noted that the FOMC could pause its easing stance if inflation remained elevated. 2) Risks to achieve the dual-mandate objectives of maximum employment and price stability are roughly in balance. 3) Labor market conditions remained solid and downside risks have

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	44,860.31	0.28
S&P 500	6,021.63	0.57
NASDAQ	19,175.58	0.63
Stoxx Eur 600	505.90	-0.57
FTSE 100	8,258.61	-0.40
Nikkei 225	38,442.00	-0.87
CSI 300	3,840.19	-0.21
Hang Seng	19,159.20	0.04
Straits Times	3,712.39	-0.51
KLCI 30	1,603.15	0.36
FX		
Dollar Index	107.01	0.18
EUR/USD	1.0489	-0.06
GBP/USD	1.2569	0.01
USD/JPY	153.08	-0.75
AUD/USD	0.6475	-0.45
USD/CNH	7.2578	0.15
USD/MYR	4.4578	0.14
USD/SGD	1.3467	0.06
Commodities		
WTI (\$/bbl)	68.77	-0.25
Brent (\$/bbl)	72.81	-0.27
Gold (\$/oz)	2,621.30	0.11
Copper (\$\$/MT)	9,000.50	-0.50
Aluminum(\$/MT)	2,612.50	-1.49
CPO (RM/tonne)	4,886.00	0.29

Source: Bloomberg, HLBB Global Markets Research
*CPO dated as of 25 November

decreased. 4) Upside risks to inflation outlook were little changed. Amongst the upside risks cited include sudden disruptions in global supply chains due to geopolitical developments, a larger-than-anticipated easing in financial conditions, stronger-than-expected consumption, more-persistent shelter price increases or sharp rises in insurance charges for health, autos, or homes. 5) There was no mention of the election, save for a notation that the VIX moved higher in the period leading up to the event.

- The Conference Board's Consumer Confidence index improved just a shade slower than expected to 111.7 in October (prior: upwardly revised to 109.6). Nevertheless, this marks the second month of improvement and the highest in more than a year, driven by more positive consumer assessments of the present and future situations, particularly on the labour market after Trump's win.
- New home sales dropped to the lowest level in nearly two years in October (-17.3% m/m to 61k vs +7.0% m/m to 738k), as increases in mortgage rates and still elevated home prices drove buyers to the sidelines, while hurricanes also disrupted home purchases. The result was lower than expected and also saw home inventories increasing to 481k, its highest since early 2008. At October's sales pace it would take 9.5 months to clear the supply of houses on the market, up from 7.7 months in September.
- Home price data was nonetheless mixed but elevated house prices and mortgage rates will likely contribute to the slowdown in price growth going forward. Median new home price increased at a faster pace of 3.8% y/y to \$437.3k (prior: +2.3% y/y), but the S&P CoreLogic CS Home Price Index moderated to +3.9% y/y in September from 4.3% y/y previously, while the FHFA House Price Index held steady at 4.4% y/y.

Gloomy retailers in the UK

- Retailers continued to report disappointing sales in November (CBI Retailing Sales: -18% vs - 6%) and expect the poor performance to linger into December (-29%) and into 2025. 2025 outlook is weighed down by the increase in employers' National Insurance as well the planned increase in business rates for higher-value properties, which will add to operational costs for distribution centres.

Hong Kong's export growth unexpectedly decelerated; softer demand from China

- Export growth unexpectedly decelerated to +3.5% y/y in October from +4.7% y/y previously due to softer demand from China. Exports to the US rebounded after the previous month's contraction, while exports to other major Asian markets showed mixed performance. Moving forward, global economic uncertainties and possible escalation of trade tension could weigh on shipments, while a sustainable recovery in China's economy, if any, could lend some support to demand for goods.

Singapore's IPI growth missed consensus forecast; in line with softer 4Q GDP growth

- Industrial output (IPI) came significantly lower than expected, growing a mere 0.1% m/m in October after contracting 1.5% m/m in September, and decelerated sharply to 1.2% on a y/y basis (prior: +9.0% y/y) due to a much softer biomedical (+7.8% y/y vs +62.3% y/y) for October. Output in the linchpin electronics cluster, on the other hand, edged up 4.3% y/y (prior: +0.9% y/y), in line with strong demand for high-end semiconductor chips

amidst the PC refresh cycle and rollout of AI devices, and will thus, likely support official's targeted growth of 3.5% y/y for the whole of 2024.

House View and Forecasts

FX	This Week	4Q-24	1Q-25	2Q-25	3Q-25
DXY	105-109	105.78	105.51	103.40	102.37
EUR/USD	1.03-1.07	1.05	1.05	1.07	1.08
GBP/USD	1.24-1.28	1.28	1.28	1.31	1.32
USD/JPY	151-157	153	153	148	146
AUD/USD	0.64-0.67	0.65	0.66	0.67	0.68
USD/MYR	4.42-4.50	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	3.25	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
27-Nov	AU CPI Trimmed Mean YoY (Oct)	3.20%
	CH Industrial Profits YTD YoY (Oct)	-3.50%
	US MBA Mortgage Applications	1.70%
	US GDP Annualized QoQ (3Q S)	2.80%
	US Advance Goods Trade Balance (Oct)	-\$108.2b
	US Durable Goods Orders (Oct P)	-0.70%
	US Cap Goods Orders Nondef Ex Air (Oct P)	0.70%
	US Initial Jobless Claims	213k
	US Personal Income (Oct)	0.30%
	US Personal Spending (Oct)	0.50%
	US Core PCE Price Index YoY (Oct)	2.70%
28-Nov	US Pending Home Sales MoM (Oct)	7.40%
	EC Economic Confidence (Nov)	95.6

Source: Bloomberg

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