

Global Markets Research
Daily Market Highlights

28 Nov: Risk-off sentiment ahead of the Thanksgiving holiday

Tech stocks weighed on US equities; USD weakened against peers amid lower UST yields

Pick-up in US core PCE and unrevised 3Q GDP growth reaffirmed gradual Fed rate path

China's industrial profits fell at a smaller pace; elevated Australia's trimmed mean CPI

- A note of caution crept into Wall Street overnight ahead of Thanksgiving. All the three major US stock indices closed lower by 0.3-0.6% during the day, with Nasdaq leading the declines following weak earnings guidance from PC-makers Dell and HP. Trading was also subdued after data showed that Fed's preferred inflation gauge picked up slightly in October as expected, reaffirming expectations of the Fed's gradual easing stance.
- Elsewhere, French stocks led losses in Europe, weighed down by its worsening consumer sentiment index as well as on concerns if the government is able to push through with its budget plan. In Asia, CSI 300 and Hang Seng closed in green after data showed a slight improvement in China's industrial profits, but Asian markets are set for a muted open today given the cautiousness in Wall Street.
- In the bond space, Treasury yields fell in tune to 3-5bps (prior: 0 to +3bps) after the inflation gauge met market expectations while other indicators were mixed. The 2Y yields declined 3bps to 4.23%, while the 10Y fell at a larger pace of 4bps to 4.26%. 10Y European bond yields also slid 2-6bps during the day, after closing mixed between -/+3bps the previous day.
- In the forex space, DXY plunged 0.9% d/d to 106.08 amid some profit taking ahead of the Thanksgiving holiday. The US Dollar weakened against all its G10 peers. Leading gains against USD were JPY (+1.3% d/d), GBP (0.9% d/d) and NZD (+1.1% d/d) amongst G10. NZD advanced even after the RBNZ cut rates by 50bps to 4.25% and expects more cuts in 2025. EUR strengthened by 0.7% d/d after ECB's Isabel Schnabel commented that she sees limited room for further rate cuts. Meanwhile, PHP, KRW and SGD (+0.5% d/d to 1.3404) outperformed its regional peers against USD, while CNH and MYR strengthened at a milder pace of 0.2-0.3% d/d.
- In the commodity markets, oil prices closed largely unchanged at +/-0.1% d/d after the Israel-Hezbollah ceasefire, and ahead of the OPEC+ meeting this week.

PCE prices picked up slightly as service cost remains elevated; 3Q GDP was left unchanged at 2.8% q/q amid solid consumer spending; soft durable and capital goods orders before elections

- Both headline and core-PCE prices edged higher to 2.3% y/y and 2.8% y/y in October (prior: 2.1% y/y and 2.7% y/y) and held steady at +0.3% m/m and 0.2% m/m respectively. Both were in line with consensus forecasts, with services contributing to the bulk of the inflation at +0.4% m/m (prior: +0.3% m/m). Prices for goods and energy fell 0.1% m/m each (prior: -0.1% m/m and -2.1% m/m), while prices for food were unchanged after increasing 0.4% m/m previously. Accompanying data also showed that personal spending remained

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	44,722.06	-0.31
S&P 500	5,998.74	-0.38
NASDAQ	19,060.48	-0.60
Stoxx Eur 600	504.96	-0.19
FTSE 100	8,274.75	0.20
Nikkei 225	38,134.97	-0.80
CSI 300	3,907.05	1.74
Hang Seng	19,603.13	2.32
Straits Times	3,708.09	-0.12
KLCI 30	1,604.25	0.07
FX		
Dollar Index	106.08	-0.87
EUR/USD	1.0566	0.73
GBP/USD	1.2680	0.88
USD/JPY	151.09	-1.30
AUD/USD	0.6497	0.34
USD/CNH	7.2449	-0.18
USD/MYR	4.4438	-0.31
USD/SGD	1.3404	-0.47
Commodities		
WTI (\$/bbl)	68.72	-0.07
Brent (\$/bbl)	72.83	0.03
Gold (\$/oz)	2,639.90	0.71
Copper (\$\$/MT)	9,020.00	0.22
Aluminum(\$/MT)	2,595.50	-0.65
CPO (RM/tonne)	4,900.00	0.29

Source: Bloomberg, HLBB Global Markets Research
*CPO dated as of 26 November

solid at +0.4% m/m (prior: +0.6% m/m), while personal income surprised on the upside at +0.6% m/m (prior: 0.3% m/m), another reason for Fed to stay cautious with its easing cycle.

- Meanwhile, the second estimate of the 3Q GDP was left unchanged at 2.8% q/q in 3Q (2Q: +3.0% q/q). Driving the solid growth during the quarter was household spending, although this was revised modestly lower from its initial reading (-0.2ppts to 3.5% q/q vs +3.7% q/q). Both exports and imports numbers were also revised lower, but private inventory investment and non-residential fixed investment were revised up.
- Separate data also showed that goods trade deficit narrowed more than expected to \$99.1bn in October from \$108.7bn previously, as export growth fell at a narrower pace than imports during the month. This could be a blip due to the hurricanes and as shippers avoid the East Coast ports on risk of second strike. We, nonetheless, expect trade deficit to widen in the November-December period as businesses stock up on imports ahead of the festive season and in anticipation of new tariffs next year.
- Both the durable (+0.2% m/m vs -0.4% m/m) and capital (-0.2% m/m vs +0.3% m/m) goods orders missed estimates in October, which we think is partially due to policy uncertainty prior to the election. With the election over and business sentiment improving in anticipation of Trump's business friendly policies, capex spending is likely to rise as companies follow through with their delayed spending going forward.
- In the housing market, mortgage applications grew at a faster pace of 6.3% w/w for the week ended November 22 (prior+ 1.7% m/m), while pending home sales climbed for the third straight month at 2.0% m/m in October (prior: +7.5% m/m) even with the mortgage rates rising. Moving forward, a still solid labour market and more housing inventory are expected to bring more consumers to the market.
- Jobless claims fell slightly by 2k to 213k for the week ended November 23 (prior: -4k) but continuing applications, a proxy for the number of people receiving benefits, jumped 9k (prior: +26k) to its highest since 2021 at 1907k (prior: +26k), suggesting that those who are unemployed are having trouble finding another job.

China's industrial profits continued to fall, albeit at a narrower pace

- The contraction in China's industrial profits narrowed to -10.0% y/y in October from -27.1% y/y previously, marking the third consecutive month of decline as slower growth in manufacturing output and deflation in prices continue to weigh on profits for the manufacturing sector. Moving forwards, tentative signs of stabilisation, if not recovery, in China will lend support or profits but steep tariffs anticipated from the Trump administration could pose downside risks.

Australia's trimmed mean inflation remains elevated; no change in RBA cash rate expected until mid-2025

- Inflation unexpectedly held steady at 2.1% y/y in October, defying expectations for an acceleration, largely due to lower fuel prices and government rebates, which helped pull down inflation in the electricity and rental sectors. Nonetheless, with RBA's preferred inflation gauge trimmed mean CPI, which strips of volatile items, remaining above officials target at 3.5% y/y (prior: 3.2% y/y), there is no change in our view that the RBA will mostly likely maintain its cash rate unchanged at 4.35% for now.

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
28-Nov	EC Economic Confidence (Nov)	95.6
29-Nov	JN Jobless Rate (Oct)	2.40%
	JN Tokyo CPI YoY (Nov)	1.80%
	JN Retail Sales MoM (Oct)	-2.30%
	JN Industrial Production MoM (Oct P)	1.60%
	UK Lloyds Business Barometer (Nov)	44
	AU Private Sector Credit MoM (Oct)	0.50%
	JN Consumer Confidence Index (Nov)	36.2
	HK Retail Sales Value YoY (Oct)	-6.90%
	EC ECB 1 Year CPI Expectations (Oct)	2.40%
	UK Mortgage Approvals (Oct)	65.6k
	EC CPI YoY (Nov P)	2.00%

Source: Bloomberg

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