2 January 2025

Global Markets Research

Daily Market Highlights

2 Jan: Expect a steady start to an uncertain 2025

Global financial markets traded on a mixed note as 2024 came to a close

In 2025, all eyes on realization of Trump policies and disinflation/ inflation outlook

Cautious central banks' policies will likely be supportive of equities and the USD near term

- Equities and sovereign bonds saw mixed performances amid quiet markets as the year 2024 came to a close. The three key benchmark US stock indices ended the last trading day of the year lower by between 0.1-0.9% d/d while European stocks saw gains to the tune of 0.9% on the day. For the year 2024 as a whole, the Dow, S&P500 and NASDAQ printed commendable annual increases of 12.8%, 24.0%, and 30.8% respectively. Across the Atlantic, European equities threaded the year mixed, with losses and gains between -33% to +27%.
- Asian equities were noticeably more mixed with more indices closed out the day in the red, led by China and Japanese stocks, while small gains were seen in Hang Seng and Jakarta Composite. Locally, the composite KLCI posted a 0.3% d/d gain, and closed out the year with a 16.1% annual gain, outperforming regional peers in the like of Singapore STI (+13.4%), China CSI 300 (+13.0%), Japan Nikkei (+7.1%), Thai SET (-2.1%), Jakarta Composite (-7.7%), and South Korean Kospi (-21.5%). Worth-mentioning, Hong Kong's Hang Seng registered an impressive 20.1% y/y gain in 2024. As we usher in the new year, futures pricing is pointing to a mixed start for 2025.
- Trading in global sovereign bonds were ever more muted. As of last close, the 2-year UST yields were seen settling flat at 4.24%, while the 10s ended at 4.57% (+4bp). It was however a softer year for global sovereign bonds, as yields generally jumped over the last one year – 10-year UST (+69bps), UK gilts (+104bps), German bunds (+34bps), Japan JGB (+47bps), Australia bonds (+41bps), Singapore SGS (+18bps), and Malaysia MGS (+9bps). China and Thailand were the few outliers with yields falling 90bps and 43bps respectively in 2024.
- On the FX front, the DXY traded firmer by another 0.4% d/d on the last trading day of 2024, to a 108.38 close, its highest level in over two years. The greenback strengthened against all G10s, the most vs NZD (+0.8% d/d), and AUD (+0.5% d/d). Against the EUR and GBP, it gained 0.5% and 0.3% on the day. Asian currencies however traded a tad more mixed, with the IDR, CNY, PHP, KRW and THB managed to closed the day flat against the USD, while the SGD fell the most, by 0.4% d/d against the greenback, followed by CNH (-0.3%), TWD (-0.2%) and MYR (-0.1%).
- From an annual perspective, the DXY strengthened 7.0% y/y, advancing against all G10s, the most vs the NZD (+11.5%), NOK (+10.7%), and JPY (+10.3%). The EUR, GBP and AUD weakened 6.2%, 1.7%, and 9.2% vs the USD in 2024. In the Asian FX space, the MYR outperformed with a 2.7% annual gain against the USD, followed by HKD (+0.5%) and THB (+0.1%). The KRW posted the biggest losses against the USD during the year (-12.5%), followed by TWD (-6.4%). We expect the USD to remain firm in the immediate term

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	42,544.22	-0.07
S&P 500	5,881.63	-0.43
NASDAQ	19,310.79	-0.90
Stoxx Eur 600	507.62	0.55
FTSE 100	8,173.02	0.64
Nikkei 225	39,894.54	-0.96
CSI 300	3,934.91	-1.60
Hang Seng	20,059.95	0.09
Straits Times	3,787.60	0.00
KLCI 30	1,642.33	0.28
FX		
Dollar Index	108.48	0.37
EUR/USD	1.0354	-0.51
GBP/USD	1.2516	-0.27
USD/JPY	157.20	0.23
AUD/USD	0.6188	-0.53
USD/CNH	7.3379	0.31
USD/MYR	4.4722	0.13
USD/SGD	1.3657	0.42
Commodities		
WTI ($/bbl)	71.87	1.04
Brent ($/bbl)	74.83	0.59
Gold ($/oz)	2,639.30	0.74
Copper ($$/MT)	8,781.50	-1.70
Aluminum($/MT)	2,552.50	0.10
CPO (RM/tonne)	5,000.50	0.36

Source: Bloomberg, HLBB Global Markets Research
** CPO dated as of 30 December*

before softening somewhat towards mid-2025, and hence no change to our end-1Q25 and 2Q25's USDMYR forecast of 4.40 and 4.30 respectively for now.

- On the commodity front, it was also a good year for commodity prices as well, from food to energy, base and precious metals. Brent crude last settled 8.0% y/y higher at $74.83/ barrel on the last trading day of 2024 (end-2023: $69.30/ barrel) while WTI ended 15.4% y/y higher at $71.87/ barrel (end-2023: $62.29/ barrel). Gold was seen clocking in a 0.7% d/d and 19.7% y/y gain to $2639/oz. CPO prices scaled RM5342/ tonne in November before pulling back to RM5000/ tonne as the year concluded, marking a 34.6% y/y jump from the RM3716/ tonne seen as at end-2023.

Little change to a sustained US housing market despite mixed US house prices; Dallas Fed services index softened on less upbeat tone on the job markets

- Two separate releases showed differing moves in house prices in the US. FHFA house prices grew at a slower pace of 0.4% m/m in October (Sept: +0.7% m/m), while S&P CoreLogic CS 20-City house prices reported a quicker than expected pick-up to +0.3% m/m (Sept: +0.2% m/m). There was however little change in the underlying rangetrading trend seen in recent months, pointing to a sustained US housing market. Recent data showed building permits continued to expand albeit at a slower pace of 5.2% m/m in November, while new home sales rebounded to increase 5.9% m/m in November (Oct: -14.8% m/m), and pending home sales also defied expectations for a slowdown and saw quicker gain of 2.2% m/m in November (Oct: +1.8% m/m).
- On the services front, Dallas Fed services index slipped a tad to 9.6 in December (Nov: 9.8), but hovering around its highest since Mar-22. The pullback was mainly due to weaker prints in the employment components, but the comfort lies in more optimistic expectations on future (6-month) employment prospects.

China composite PMI jumped in December; bigger than expected spike in non-manufacturing more than offset slightly bigger pullback in manufacturing

- China's composite PMI jumped 1.4 index points to 52.2 in December (Nov: 50.8), marking its highest in nine months. This was mainly spurred by a much bigger than expected improvement in the non-manufacturing index from 50.0 to 52.2 during the month (driven by higher new orders, input prices and employment), which more than offset the slight weakening in the manufacturing index from 50.3 to 50.1 (due to softer output and employment). While this upside surprises is welcomed, we caution reading too much into one single print especially when the sharp increase in the non-manufacturing was due to some construction companies speeding up works prior to the Lunar New Year shutdown.
- Nonetheless, recent China data has demonstrated some resiliency, which we believe would help soften the blow on the China economy, with the help of ongoing stimulus measures. During a speech at a new year event on Tuesday, President Xi said China's 2024 GDP growth is set to hit its target of around 5.0% (YTD: 4.9%), and that the China economy is overall stable and that the government will continue to adopt more proactive macroeconomic policies in 2025.

Singapore advanced 4Q GDP moderated less than expected to 4.3% y/y amid slower growth in manufacturing

- Advanced 4Q GDP report showed the Singapore economy grew at a more moderate pace of 4.3% y/y in the final quarter of the year (3Q: +5.4% y/y), better than consensus estimate for a pullback to 3.8% y/y. The pullback was mainly due to slower expansion in manufacturing (+4.2% vs +11.1% y/y), which overshadowed the faster increases in construction (+5.9% vs +4.7% y/y) and services (+4.3% vs +4.0% y/y). This brings full year 2024 growth to 4.0% (2023: +1.1% y/y), above the upgraded official growth forecast of around 3.5% and consensus forecast of 3.7%.
- Moving into 2025, the Singapore economy is expected to grow at a milder pace between 1.0-3.0% y/y, in line with expectations that economic growth amongst its key trading partners like US and China will ease. Growth could also face headwinds from policy uncertainties from the Trump administration, escalation of geopolitical and trade conflicts which could lead to higher oil prices and production costs as well as disruptions to the global disinflation process, which could lead to higher for longer monetary policy stance as well as the desynchronisation of monetary policies across the majors.

House View and Forecasts

FX	This Week	4Q-24 Act	1Q-25	2Q-25	3Q-25
DXY	107-109	108.48	105.51	103.40	102.37
EUR/USD	1.03-1.05	1.03	1.05	1.07	1.08
GBP/USD	1.25-1.27	1.25	1.28	1.31	1.32
USD/JPY	156-158	157	153	148	146
AUD/USD	0.61-0.63	0.62	0.66	0.67	0.68
USD/MYR	4.46-4.48	4.47	4.40	4.30	4.26
USD/SGD	1.36-1.37	1.37	1.33	1.31	1.29

Rates, %	Current	4Q-24 Act	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
2-Jan	US MBA mortgage applications (Dec-20)	-0.7%
	US initial jobless claims (Dec-28)	219k
	US PMI manufacturing (Dec F)	48.4
	EU PMI manufacturing (Dec F)	45.2
	UK Nationwide house prices YOY (Dec)	3.7%
	CH Caixin PMI manufacturing (Dec)	51.5
	HK retail sales YOY (Nov)	-2.9%
	SG PMI (Dec)	51.0
	MY PMI (Dec)	49.2
	AU PMI (Dec F)	48.2
3-Jan	US ISM manufacturing (Dec)	48.4
	UK net consumer credit (Nov)	1.1b
	UK mortgage approval (Nov)	68.3k
	SG retail sales YOY (Nov)	2.2%

Source: Bloomberg

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