3 January 2025

Global Markets Research

Daily Market Highlights

3 Jan: Dollar Index surged above 109s hitting a 2-year high

Another day of mixed performances in global financial markets

S&P500 and Nasdaq partially weighed down by disappointing results from Tesla

Seasonal dip in US jobless claims; PMI manufacturing disappointed overall

- Mixed performances in global equities and sovereign bonds were brought forward to the first trading day of 2025 as investors were still scouting for fresh catalysts and direction. US and Asian equities largely ended in the red while European stocks continued outperforming. The three major US stock indices shed between 0.2-0.4% d/d, weighed down by disappointing results from Tesla, while CSI 300, Taiwan TAIEX, and Hang Seng led declines in the Asian bourses. On the contrary, European stock indices and some South-east Asian equities (Singapore STI, Jakarta Composite, Philippines PSE) closed out the first trading day in the green. The KLCI lost 0.6% d/d to 1632.87 as at yesterday's close. This morning, futures are pointing to another mixed session in Asian markets today.
- Similarly for global sovereign bonds, we saw two-way moves, slightly lower yields in UST but higher European bond yields. Asian bond yields were also generally higher except for the declines seen in South Korea (-13bps), China (-6bps) and Australia (-2bps). Overall benchmark UST yields slipped between 0-1bps with the 2-year UST yields ended relatively flat at 4.24%, while the 10s shed 1bp to 4.56%.
- On the FX front, the DXY continued charging ahead for the 7th straight day, hitting an intraday high of 109.53 (also its highest level since Oct-22) before retracing some gains to close at 109.25, clocking in another impressive 0.7% gain on the day. The greenback strengthened against all G10s except the AUD and NZD yesterday, the most vs the GBP (+1.1%) and DKK and EUR (+0.9% each). Asian currencies were also under pressure amid USD strength, with IDR (-0.6% d/d) leading the decliners, followed by THB (-0.5%) and SGD (-0.4% d/d). The MYR saw relatively muted losses of 0.1%, last closed at 4.4783.
- On the commodity front, global crude oil prices continued to notch gains with the Brent gaining 1.4% d/d to $75.85/ barrel while the WTI firmed another 1.7% d/d to $73.12/ barrel, after a report showed lower US stockpiles.

PMI manufacturing disappointed by and large; except the US and Singapore

- A final reading showed US PMI manufacturing moderated less than initially estimated to 49.4 in December (Nov: 49.7 and consensus 48.3), dragged by a slightly bigger decline in output and employment. Manufacturing activities have stayed in contractionary territory for a good six months now, signalling a lackluster outlook ahead.
- Eurozone's PMI manufacturing came in a tad lower than its preliminary reading and consensus estimate of 45.2, at 45.1 for December, reaffirming continued contraction in factory activities in the region for the 30th straight

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	42,392.27	-0.36
S&P 500	5,868.55	-0.22
NASDAQ	19,280.79	-0.16
Stoxx Eur 600	510.67	0.60
FTSE 100	8,260.09	1.07
Nikkei 225	39,894.54	-0.96
CSI 300	3,820.40	-2.91
Hang Seng	19,623.32	-2.18
Straits Times	3,800.81	0.35
KLCI 30	1,632.87	-0.58
FX		
Dollar Index	109.25	0.71
EUR/USD	1.0265	-0.86
GBP/USD	1.2380	-1.09
USD/JPY	157.50	0.19
AUD/USD	0.6203	0.24
USD/CNH	7.3403	0.03
USD/MYR	4.4783	0.14
USD/SGD	1.3705	0.35
Commodities		
WTI ($/bbl)	73.12	1.74
Brent ($/bbl)	75.95	1.50
Gold ($/oz)	2,671.20	1.21
Copper ($$/MT)	8,801.00	0.22
Aluminum($/MT)	2,529.00	-0.92
CPO (RM/tonne)	4,920.00	-1.61

Source: Bloomberg, HLBB Global Markets Research
** CPO dated as of 31 December*

month. The bleaker outlook compared to other majors will likely imply the ECB will have to ease more compared to its peers to salvage the Eurozone's ailing economy.

- A similar report from S&P Global showed the UK's PMI manufacturing eased more than expected to 47.0 in December (Nov: 48.0 and consensus 47.3), marking its 3rd straight month of contraction and its weakest since January. Deeper decline in new orders (44.0 vs 45.7) was the main drag.
- China's Caixin PMI manufacturing unexpectedly eased to 50.5 in December (Nov: 51.5) but remained expansionary for the 3rd straight month. Similar to other economies, softer output (50.5 vs 53.2) was the main culprit, adding to signs of slowing manufacturing activities in the wake of uncertain global demand and trade flows especially after Trump's presidential victory.
- Australia PMI also weakened to 47.8 in December (Nov: 49.4), marking its 11th straight month of contraction as a result of deeper fall in output (45.8 vs 48.3).
- Malaysia's PMI skidded 0.6ppt to 48.6 in December (Nov: 49.2), continued drifting off the recent high and expansion level of 50.2 last seen in May. This marked its 7th consecutive month of contractionary print, dented by deeper fall in output (47.5 vs 48.0), suggesting weak production will keep a lid on manufacturing performance near term.
- Bucking the weaker prints seen elsewhere, Singapore's PMI inched a notch higher for the 2nd straight month to a 6-year high of 51.1 in December (Nov: 51.0). New orders, export orders, and output all improved. Electronics PMI however tapered off 0.2ppt to 51.4 (Nov: 51.6), continuing the bumps seen in the sector recently.

Unexpected dip in US initial jobless claims due to seasonal factors; MBA mortgage applications fell as long term borrowing rates increased

- Initial jobless claims unexpectedly fell 9k to 211k for the week ended 28-Dec (prior 220k revised), its lowest in eight months and below the one-year average of 223k for the first time in a month. Continuing claims also fell more than expected to 1844k for the week ended 21-Dec (prior 1896k downwardly revised). We are taking this print with a pinch of salt as the lower reading is distorted by year end seasonal factors.
- MBA mortgage applications fell at a faster pace of 12.6% w/w for the week ended 27-Dec (prior -10.7%). The decline was attributable to continued and bigger drops in refinancing applications for the 3rd straight week, while new purchases also sustained a 6.8% w/w fall, as long term borrowing costs edged up for the 3rd week in a row (from 6.67% to 6.97%).

Upside surprises in UK Nationwide house prices

- Nationwide Building Society reported that house prices have eased less than expected on a month-on-month basis to +0.7% in December (Nov: +1.2% m/m), while on a year-on-year basis, prices unexpectedly picked up to increase 4.7% y/y (Nov: +3.7% y/y). This pushed house prices further up to near record high levels, suggesting underlying strength in the UK housing market supported by rising real incomes, BOE rate cuts, and waning uncertainties from the Oct-30 Autumn Budget.

Extended declines in Hong Kong retail sales spelled risk to consumption

- Retail sales registered continued and deeper than expected decline of 7.3% y/y in November (Oct: -2.8% y/y). This marked its 9th straight month of contraction, and the rather broad-based declines across key categories including fuels, clothing & footwear, consumer durables, department stores, jewelry, watches & clocks, all added to signs of lingering weakness in consumer and tourist spending, which is expected to dampen growth in 4Q.

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
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%
6-Jan	AU S&P Global Australia PMI Services (Dec F)	50.4
	HK S&P Global Hong Kong PMI (Dec)	51.2
	SI S&P Global Singapore PMI (Dec)	53.9
	JN Jibun Bank Japan PMI Services (Dec F)	51.4
	CH Caixin China PMI Services (Dec)	51.5
	VN GDP YoY (4Q)	7.40%
	VN CPI YoY (Dec)	2.77%
	VN Exports YoY (Dec)	8.20%
	VN Industrial Production YoY (Dec)	8.90%
	VN Retail Sales YoY (Dec)	8.80%
	EC HCOB Eurozone Services PMI (Dec F)	51.4
	EC Sentix Investor Confidence (Jan)	-17.5
	UK S&P Global UK Services PMI (Dec F)	51.4
	US S&P Global US Services PMI (Dec F)	58.5
	US Factory Orders (Nov)	0.20%
	US Durable Goods Orders (Nov F)	-1.10%

Source: Bloomberg

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