7 January 2025

Global Markets Research

Daily Market Highlights

7 Jan: All eyes on the slew of US labour data ahead

Back-to-back gains for Nasdaq and S&P 500 on chip stocks; UST yields closed mostly higher

DXY pared losses after Trump denied talks that he will soften his tariff plans

CAD, EUR led gains vs USD after Trudeau's resignation and acceleration in Germany's CPI

- Semiconductor stocks climbed overnight after Foxconn announced bumper results, helping Wall Street recover some of their holiday season slide and S&P 500 and Nasdaq recording back-to-back wins. Also boosting chip stocks was Microsoft's recent announcement that the computing giant plans to invest $80bn in 2025 on data centers, while Nvidia shares hit a record high ahead of chief Jensen Huang's keynote speech. The broad market index gained 0.6% d/d, while Nasdaq surged 1.2% d/d. The Dow lagged, sliding 0.1% d/d.
- In Europe, equity markets closed higher amid reports that Trump may tone down his tariff plans, but Asian stocks closed mixed, with China's CSI 300 extending declines to hit 3-month low as market shrugs off China's strong services PMI.
- In the bond space, Treasury yields closed mostly higher ahead of a series of key jobs data with the longer-end tenures underperforming. The 2Y yield closed just below the flatline at 4.27%, while the 10Y yields rose 3bps to 4.63%. 10Y European bond yields closed mixed in tune to +/-3bps.
- In the forex space, DXY traded weaker but trimmed losses after President-elect Donald Trump denied reports that he will soften his tariff plans. DXY closed down 0.6% d/d at 108.26 and the Dollar weakened against all its G10 peers save for the JPY (-0.2% d/d). CAD (+0.8% d/d) and EUR (+0.8% d/d) led gains against the USD, CAD after Prime Minister Justin Trudeau announced his resignation as head of the Liberal Party and EUR after Germany's price prints accelerated, prompting traders to dial back on rate cut bets. Asian currencies closed mixed against the Dollar, with SGD and CNH appreciating 0.5% d/d and 0.2% d/d respectively, but MYR weakened 0.2% d/d to 4.5107.
- In the commodity space, oil prices eased 0.3-0.5% d/d following the downward revisions to US Services PMI and weak factory orders data. Germany's inflation also came in higher than expected, suggesting that the ECB will be cautious in its easing cycle which could slow demand for energy. That said, winter demand for energy to heat homes and businesses is expected to lend some support for prices in the near term.

Mixed revisions to S&P PMI services; stronger Caixin Services PMI

- The final US S&P US Services PMI was revised down a whopping 1.7ppts to 56.8 for December (prior: 56.1). The index at this level marks its highest in 33 months as new orders strengthened and business confidence perked up, the latter in anticipation of more business-friendly policies from the incoming Trump administration.
- The final HCOB Eurozone Services PMI was revised up 0.2ppts to 51.6 in December (prior: 49.5). Although pointing to a renewed moderate upturn for the sector, the index at this level does not exactly lay a solid foundation for a

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	42,706.56	-0.06
S&P 500	5,975.38	0.55
NASDAQ	19,864.98	1.24
Stoxx Eur 600	513.02	0.95
FTSE 100	8,249.66	0.31
Nikkei 225	39,307.05	-1.47
CSI 300	3,768.97	-0.16
Hang Seng	19,688.29	-0.36
Straits Times	3,821.84	0.53
KLCI 30	1,625.47	-0.24
FX		
Dollar Index	108.26	-0.64
EUR/USD	1.0390	0.80
GBP/USD	1.2520	0.78
USD/JPY	157.62	0.23
AUD/USD	0.6246	0.48
USD/CNH	7.3460	-0.17
USD/MYR	4.5107	0.23
USD/SGD	1.3634	-0.50
Commodities		
WTI ($/bbl)	73.56	-0.54
Brent ($/bbl)	76.30	-0.27
Gold ($/oz)	2,647.40	-0.27
Copper ($$/MT)	9,003.00	1.43
Aluminum($/MT)	2,490.00	-0.14
CPO (RM/tonne)	4,726.00	-1.93

Source: Bloomberg, HLBB Global Markets Research
** CPO dated as of 3 Jan*

service sector boom in 2025. The uptick was driven by domestic orders, as new export business shrank for the 19th month.

- The final UK S&P UK Services PMI was revised down 0.3ppt to 51.1 in December (Nov: 50.8), suggesting mild growth to end 2024. Weak demand and higher payroll costs weighed on the index, and service providers remained cautious about the outlook for 2025 on concerns about cutbacks to business and consumer spending, and the impact of rising employers' National Insurance contributions.
- The final Jibun Bank Japan Services PMI Services was revised 0.5ppts lower to 50.9 for December (Nov: 50.5), its strongest in 3-months. With new businesses rising to its 4-month high, this suggests that growth in the services sector will likely quicken going forward, albeit moderately.
- The Caixin China General Services Business Activity Index came in higher than expected at 52.2 in December, up 0.7ppts from November and staying in positive territory for the past two years. The acceleration was driven by stronger new business inflows, though export business declined for the first time since August 2023. The indicator for expectations of future activity stayed in expansionary territory, but fell m/m to just above September's 4.5-year low, as uncertainties over global trade weighed on optimism and potentially the services sector overall going forward.
- The final S&P Composite Hong Kong PMI inched down 0.1ppts to 51.1 in December. Forward-looking indicators signalling that this deceleration may continue into early 2025, dampened by subdued external demand, amid concerns over potentially higher US tariffs and still sluggish China's economy
- The headline S&P Global Singapore PMI fell to 51.5 in December from 53.9 previously, its weakest since July 2023 as both new business and output growth decelerated markedly m/m. On a positive note, business confidence returned to above its long-run average, signalling improved optimism for 2025.

US factory orders fell on weak aircraft demand

- Factory orders fell more than expected by 0.4% m/m in November from +0.5% m/m previously, amid weakness in demand for commercial aircraft while spending on consumer goods were unchanged at +0.1% m/m. Business spending, using capital goods orders nondef ex air as a gauge, was revised down to +0.4% m/m, but this is still an uptick from -0.1% m/m, suggesting that the manufacturing sector may slowly pick-up in coming months, supported by looser monetary policy and possibly, more business friendly measures by the Trump administration.

Eurozone's investor confidence worsened for the second month

- Sentix investor confidence worsened for the second month to -17.7 in January from -17.5 previously. According to Sentix, the economic engine for the bloc is threatening to freeze up for the long term and Germany's recession will continue to weigh on recovery for the bloc.

Vietnam economy grew a stellar 7.1% in 2024

- Vietnam's economy outperformed its regional peers and surpassed consensus forecasts with a stellar 7.6% y/y in growth in 4Q (3Q: 7.4% y/y). This brings full year growth well above the government's target at 7.1% y/y for 2024 (2023: 5.1% y/y), as the manufacturing hub continues to benefit from strong export growth and foreign direct investment (FDI), and amid resilient domestic consumption. For 2025, Vietnam has set an official GDP growth target of 6.5%

to 7.0%, in line with consensus forecast, but Prime Minister Pham Minh Chinh has pledged to push for an 8.0% growth for the year.

House View and Forecasts

FX	This Week	4Q-24 Act	1Q-25	2Q-25	3Q-25
DXY	108-111	108.48	105.51	103.40	102.37
EUR/USD	1.01-1.04	1.03	1.05	1.07	1.08
GBP/USD	1.22-1.25	1.25	1.28	1.31	1.32
USD/JPY	153-160	157	153	148	146
AUD/USD	0.61-0.64	0.62	0.66	0.67	0.68
USD/MYR	4.45-4.51	4.47	4.40	4.30	4.26
USD/SGD	1.35-1.38	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
7-Jan	AU Building Approvals MoM (Nov)	4.20%
	EC ECB 1 Year CPI Expectations (Nov)	2.50%
	EC CPI Core YoY (Dec P)	2.70%
	EC Unemployment Rate (Nov)	6.30%
	US Trade Balance (Nov)	-$73.8b
	US JOLTS Job Openings (Nov)	7744k
	US ISM Services Index (Dec)	52.1
08-Jan	AU CPI YoY (Nov)	2.10%
	JN Consumer Confidence Index (Dec)	36.4
	MA Foreign Reserves	$118.1b
	EC Economic Confidence (Dec)	95.8
	EC PPI YoY (Nov)	-3.20%
	US MBA Mortgage Applications	-12.60%
	US ADP Employment Change (Dec)	146k

Source: Bloomberg

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