

Global Markets Research
Daily Market Highlights

8 Jan: Sell off in Wall Street amid pushbacks in Fed rate cut

Robust US ISM services and job openings reaffirmed bets for next rate cut in July

Sell-off in both US equities and bond markets; USD rebounded against G10 peers

Eurozone's CPI accelerated on energy, services costs; core held steady; easing cycle intact

- US equities took a beating on Tuesday as strong readings from the JOLTs job openings and ISM-Services, the latter accompanied by a jump in price sub-index, saw traders reaffirming expectations that the next rate cut will be in July. Equities also retreated amid a sell-off in the Treasury market and spikes in Treasury yields. The 3 major stock indices closed down 0.4-1.9% d/d, with Nvidia a notable laggard after hitting a record the previous day.
- Elsewhere, European stocks climbed on positive corporate earnings releases from Volvo to Next, while Nikkei 225 led gains in Asian markets after the tech rally lifted Wall Street the day before. Futures suggest that Asian equities are likely to track the sell-off in Wall Street today.
- In the bond space, Treasury yields rose between 2-7bps after the ISM-Services and JOLTS job openings prints. The 2Y yield rose 2bps to 4.29%, while the 10Y increased 5bps to 4.69%. 10Y European bond yields also jumped 2-7bps after closing mixed the prior day (+/-3bps). In the UK, the 30Y yield hit its highest since 1998 (+7bps to 5.25%), raising the prospect of tax increases to meet fiscal rules.
- In the forex space, the DXY (+0.3% d/d to 108.54) firmed on the stronger data and the Dollar strengthened against all its G10 peers. Leading losses against the greenback were SEK, CHF and NOK, while JPY depreciated 0.3% d/d to 158.05, its weakest since July 2024. Japan's Finance Minister commented that he will take appropriate action against one-sided, sudden foreign exchange moves, potentially capping any further losses for the pair today. On the regional front, KRW, TWD and MYR (+0.5% d/d to 4.4873) led gains against USD, but SGD depreciated by 0.1% d/d to 1.3642.
- In the commodities market, crude oil prices rebounded in tune to 0.9-1.0% d/d as cold spells in the US and Europe boosted heating demand and amid concerns over tighter supply from Russia and Iran because of Western sanctions. In China, ports in the eastern part of Shandong, a top destination for Iranian crude, were issued a notice banning US-sanctioned tankers from docking at their berths.

US ISM Services and job openings data improved more than expected; jump in price sub-index fan inflation fears

- The ISM Services Index improved more than expected to 54.1 in December (prior: 52.1), primarily boosted by strength in the Business Activity and Supplier Deliveries sub-indices, and with 9 industries reporting growth during the month as compared to 14 previously. Many industries noted that the uptick was due to end-of-year and seasonal factors as well as pull-forward of business demand in anticipation of higher tariffs ahead. That said, most industries were also generally optimistic going forward. Of note, the price

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	42,528.36	-0.42
S&P 500	5,909.03	-1.11
NASDAQ	19,489.68	-1.89
Stoxx Eur 600	514.67	0.32
FTSE 100	8,245.28	-0.05
Nikkei 225	40,083.30	1.97
CSI 300	3,796.11	0.72
Hang Seng	19,447.58	-1.22
Straits Times	3,828.17	0.17
KLCI 30	1,629.79	0.27
FX		
Dollar Index	108.54	0.26
EUR/USD	1.0340	-0.48
GBP/USD	1.2477	-0.34
USD/JPY	158.05	0.27
AUD/USD	0.6230	-0.26
USD/CNH	7.3400	-0.08
USD/MYR	4.4873	-0.52
USD/SGD	1.3642	0.06
Commodities		
WTI (\$/bbl)	74.25	0.94
Brent (\$/bbl)	77.05	0.98
Gold (\$/oz)	2,665.40	0.68
Copper (\$\$/MT)	9,003.00	0.00
Aluminum(\$/MT)	2,517.50	1.10
CPO (RM/tonne)	4,704.50	-0.45

Source: Bloomberg, HLBB Global Markets Research
* CPO dated as of 6 Jan

sub-index jumped 6.2ppts to 64.4, the first time the index has registered over 60 since January, fanning inflationary fears.

- JOLTS job openings rose more than expected to its 6-month high in November (8.1m vs 7.8m), boosted by a jump in professional & business services, finance & insurance and private educational services, while other industries showed more mixed demand for workers. Layoffs were little changed at a low level, while the pace of hiring cooled to 5.3m (prior: 5.4m). Quits rate declined to 1.9% from 2.1%, suggesting more people are less confident in their ability to find a new job.
- Trade deficit widened to \$78.2bn in November from \$73.6bn previously, amid the largest jump in imports since March 2022 as companies accelerated shipments ahead of a possible dockers' strike and as business front load shipments in anticipation of more tariffs by the Trump administration. Imports jumped 3.4% m/m (prior: -3.9% m/m) with gains broad-based from automotive, consumer to capital goods, outpacing exports at 2.6% m/m (prior: -1.4% m/m).

Eurozone's headline inflation ticked up as energy costs rebounded and services costs remain elevated

- Matching forecasts, headline inflation accelerated to 2.4% y/y in December (prior: 2.2% y/y), with core inflation stabilising at 2.7%. The uptick in headline largely reflects petering out of fall in energy prices (+0.1% y/y vs -2.0% y/y) petering out, while services costs remain elevated at 4.0% y/y (prior: +3.9% y/y).
- Potentially higher energy prices during the winter months, still strong wage growth given the tight labour market (unemployment rate steady at 6.3% y/y) and uptick in 1Y ECB inflation expectations (Nov: 2.6% y/y vs Oct: 2.5% y/y) suggest that upward price pressure remains and that the disinflation process remains a bumpy one. This does not, however, change our view that the economy is still sluggish and thus, the ECB will continue with its cautious easing path going forward.

Australia's building approvals unexpectedly fell

- Building approvals fell 3.6% m/m in November following a 5.2% y/y rise, worse than consensus forecast of a +1.0% m/m growth. Declines were observed across all residential building types, but moving forward, the housing market will likely be supported by continuous strong growth in population as well as nominal income.

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
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%
09-Jan	US ADP Employment Change (Dec)	146k
	US FOMC Meeting Minutes	
	US Consumer Credit (Nov)	\$19.239b
	AU Retail Sales MoM (Nov)	0.60%
	AU Exports MoM (Nov)	3.60%
	CH CPI YoY (Dec)	0.20%
	CH PPI YoY (Dec)	-2.50%
	EC ECB Publishes Economic Bulletin	
	UK DMP 1 Year CPI Expectations (Dec)	2.80%
	EC Retail Sales MoM (Nov)	-0.50%
	US Challenger Job Cuts YoY (Dec)	26.80%
	US Initial Jobless Claims	211k
	CH Aggregate Financing CNY YTD (Dec)	29400.0b

Source: Bloomberg

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