9 January 2025

Global Markets Research

Daily Market Highlights

9 Jan: Dovish FOMC minutes reaffirmed views for a January pause

FOMC minutes flagged upside risks to inflation; decision was finely balanced

Dollar traded firmer against G10 peers; GBP lagged amid the sell-off in UK gilts

US equity and bond markets closed mixed; stock markets closed today for Carter's funeral

- US equity markets closed mixed overnight, with stocks swinging between small gains and losses throughout the session as traders refrained from making big bets with the stock markets closed today for the National Day of Mourning for former President Jimmy Carter, and ahead of the non-farm payroll data on Friday. The Dow and S&P 500 added 0.2-0.3% d/d, but Nasdaq underperformed with a small 0.1% d/d loss.
- Minutes released from the FOMC's December meeting, meanwhile, showed that most FOMC members found that upside risks to the inflation outlook had increased, the decision to cut was finely balanced and that the FOMC was at/near the point to slow the pace of policy easing. This reaffirmed our view that **the Fed will take a pause in its easing cycle at the upcoming January FOMC meeting.**
- Elsewhere, European stocks (Stoxx Eur 600: -0.2% d/d) mostly fell as wind power-related stocks were weighed down by President-elect Donald Trump's comment that he will seek to prevent the construction of wind farms during his second term. Asian markets traded mixed after higher UST yields dragged Wall Street the day before, but are likely to open muted today. Shares of Samsung Technology gained in choppy trading despite missing profit forecasts, while Tencent Holdings extended its decline following its inclusion in the US Department of Defense list of "Chinese military companies."
- In the bond space, Treasury yields closed mixed in tune to -1 to +2bps. The 2Y yield fell 1bps to 4.28%, while the 10Y yield closed just above the flatline at 4.69% after testing 4.73% during the session. 10Y European bond yields closed up 2-6bps (prior: 2-7bps), save for the UK's gilts which jumped 11bps to 4.79% on concerns of debt sustainability and inflation outlook.
- In the forex space, DXY rallied 0.5% d/d to 109.09, and the Dollar traded firmer against all its G10 peers, supported by higher UST yields for the longer tenures and concerns over inflationary pressures with Trump's tariff plans. GBP led losses against USD, slumping 0.9% d/d to 1.2363, its lowest since April 2022 amid a sharp sell-off in gilts. Asian currencies also weakened against the Dollar with KRW, TWD and PHP leading losses and SGD and MYR depreciating in tune to 0.3-0.4% d/d to close at 1.3679 and 4.5030 respectively. Of note, Chinese onshore yuan hit its 16-month low at 7.3317 (-0.1% d/d) on Trump tariff fears.
- Oil prices fell more than 1% d/d on the back of a stronger Dollar and large builds in US fuel inventories, reversing earlier gains from the tightening supplies from Russia and other OPEC members.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	42,635.20	0.25
S&P 500	5,918.25	0.16
NASDAQ	19,478.88	-0.06
Stoxx Eur 600	513.67	-0.19
FTSE 100	8,251.03	0.07
Nikkei 225	39,981.06	-0.26
CSI 300	3,789.22	-0.18
Hang Seng	19,279.84	-0.86
Straits Times	3,886.98	1.54
KLCI 30	1,614.83	-0.92
FX		
Dollar Index	109.09	0.50
EUR/USD	1.0318	-0.21
GBP/USD	1.2363	-0.91
USD/JPY	158.35	0.19
AUD/USD	0.6216	-0.22
USD/CNH	7.3537	0.19
USD/MYR	4.5030	0.35
USD/SGD	1.3679	0.27
Commodities		
WTI ($/bbl)	73.32	-1.25
Brent ($/bbl)	76.16	-1.16
Gold ($/oz)	2,672.40	0.26
Copper ($$/MT)	9,031.50	0.32
Aluminum($/MT)	2,498.50	-0.75
CPO (RM/tonne)	4,715.00	0.22

Source: Bloomberg, HLBB Global Markets Research
** CPO dated as of 7 Jan*

FOMC minutes flagged upside risks to inflation and that the Fed was/near the point to slow the pace of policy easing; ADP showed US labour market cooled

- The latest FOMC meeting minutes showed that Fed staff had some incorporated assumptions of policy changes from trade to immigration under the Trump administration in their forecasts and that Fed will slow interest rate cuts going forward, possibly even skipping a cut in January policy meeting. Key highlights include: 1) Most FOMC members judged the risks to the dual-mandate objectives to be roughly in balance, but upside risks to the inflation outlook had increased due to recent stronger-than-expected readings on inflation and potential changes in trade tariffs and immigration policy. 2) The vast majority of the members judged that it is appropriate to lower the policy rates by 25bps during that meeting, but a majority of them noted that their judgments had been finely balanced. Some noted that there was merit in keeping the policy rate unchanged. 3) ***Participants indicated that the FOMC was at or near the point at which it would be appropriate to slow the pace of policy easing.***
- The labour market cooled towards more modest pace in the final months of 2024, with a slowdown in both hiring and pay gains. According to the ADP, private employers added 122k jobs in December (prior: +146k), lower than expected as hiring slowed in several industries. Employment in manufacturing shrank for the third straight month, while hiring in healthcare was robust. Annual growth for job-stayers slowed to 4.6%, its lowest since July 2021, while pay growth for job-changers was slightly softer at +7.1%. Meanwhile, jobless claims unexpectedly fell 10k to 201k for the week ended January 4 (prior: -9k), partially distorted by seasonal factors, but continuing claims surged 33k to 1867k the week prior (Dec 21: -63k), reaffirming views of softer labour market.
- Consumer credit unexpectedly fell $7.5bn in November (prior: +$17.3bn) as credit card balances and other revolving credit plunged $13.7bn (prior: +$15.2bn), a sign that consumers are making an effort to pare down their credit card balances with borrowing rates elevated. Non-revolving credit such as loans for vehicle purchases and school tuition increased at a faster pace of $6.2bn, reflecting higher car sales during the month.
- Mortgage applications fell 3.7% w/w for the week ended January 3 (prior: -12.6% w/w) as rising mortgage rates continued to discourage buyers from entering the market and put a dampener on purchase activity. The 30Y fixed rate increased for the fourth consecutive week to 6.99%, its highest since July 2024. Purchase applications declined 6.6% w/w (prior: -6.8% w/w) but refinance applications increased (+1.5% w/w vs -23.4% w/w) despite higher rates, the latter boosted by lower base effects and was driven entirely by an increase in VA refinances, which continue to show weekly swings.

Eurozone's PPI fell at a narrower pace due to energy; economic confidence weakened

- Producer prices (PPI) fell at a narrower pace than expected by 1.2% y/y in December (prior: -3.3% y/y, largely reflecting a reversal in the fall in energy prices (+5.3% y/y vs -11.2% y/y). Prices for intermediate goods also fell at a shallower rate, while prices for durable consumer goods eased slightly.
- The Economic Sentiment Indicator (ESI) came in lower than expected at 93.7 in December, a 1.9ppts m/m fall driven by lower confidence in industry, construction and among consumers, partially offset by an increase in services confidence. Confidence in retail trade remained broadly stable. Amongst the

largest EU economies, confidence fell markedly for France, Germany, and Italy, but improved for Spain.

Australia's trimmed mean CPI eased; job vacancies picked up for the first time since May 2022

- Inflation accelerated more than 2.3% y/y in November (prior: 2.1% y/y), largely contributed by food & non-alcoholic beverages, alcohol & tobacco, recreation & culture and partially due to the timing of electricity rebates. Nonetheless, with annual trimmed mean CPI easing to 3.2% y/y from 3.5% y/y previously, there is no change in our view that the Reserve Bank of Australia will start its easing cycle starting 2Q of this year.
- Meanwhile, job vacancies rose for the first time since May 2022 at +4.2% q/q in November (prior: -5.6% q/q), with gains broad-based across most industries led by customer-facing industries like arts & recreation services and accommodation & food services. While there has been a downward trend in job vacancies over the past two and a half years, the number of vacancies is still 51.3% higher than before the COVID-19 pandemic, suggesting a still healthy labour market.

Japan's consumer confidence unexpectedly worsened

- Consumer sentiment index unexpectedly worsened 0.2ppts to 36.2 in December, weighed down by lower confidence towards overall livelihood and willingness to buy durable goods. This suggests subdued consumer sentiment towards the end of 2024, and in line with a moderate increasing trend for consumer spending.

Malaysia's foreign reserves closed 2024 at $116.2bn

- Foreign reserves ended 2024 at $116.2bn, an uptick from $113.5bn as of end-2023, but a $1.9bn decline from mid-December. The reserves level has taken into account the quarterly foreign exchange revaluation changes and is sufficient to finance 5.0 months of imports and is 1.0 times of short-term external debt.

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
9-Jan	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%
9-15 Jan	CH Aggregate Financing CNY YTD (Dec)	29400.0b
10-Jan	JN Household Spending YoY (Nov)	-1.30%
	AU Household Spending YoY (Nov)	2.80%
	MA Industrial Production YoY (Nov)	2.10%
	MA Manufacturing Sales Value YoY (Nov)	3.00%
	JN Leading Index CI (Nov P)	109.1
	JN Coincident Index (Nov P)	116.8
	US Average Hourly Earnings MoM (Dec)	0.40%
	US Unemployment Rate (Dec)	4.20%
	US Change in Private Payrolls (Dec)	194k
	US U. of Mich. Sentiment (Jan P)	74
	US U. of Mich. 1 Yr Inflation (Jan P)	2.80%

Source: Bloomberg

Hong Leong Bank Berhad
Fixed Income & Economic Research, Global Markets
Level 8, Hong Leong Tower
6, Jalan Damanlela
Bukit Damansara
50490 Kuala Lumpur
Tel: 603-2081 1221
Fax: 603-2081 8936
HLMarkets@hlbb.hongleong.com.my