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Global Markets Research

Daily Market Highlights

13 Jan: Strong US NFP saw traders pencilling only 1 rate cut in 2025

**Highest gains in NFP since March 2024; unemployment rate below Fed's forecast at 4.1%
 DXY surged to as high as 109.97; UST yields jumped 2-13bps led by the shorter tenures
 Malaysia's IPI accelerated for the first time in 4 months; soothing slowdown concerns**

- The S&P 500 wiped out its 2025 gains after the blockbuster US non-farm payroll (NFP) saw **traders pushing back the next and only rate cut for 2025 to the September FOMC meeting**. The broad S&P500 stock index slid 1.5% d/d, while the Dow and Nasdaq also lost 1.6% d/d each, pushing all the major benchmarks into the red for 2025. Notably, interest sensitive sectors like real estate, financials and technology were laggards during the day. Similarly, European stocks also dropped following the NFP report, while CSI 300 led losses in Asia after the People's Bank of China said that it will suspend buying government bond purchases temporarily as the supply has fallen short of demand.
- In the Treasury space, benchmark yields jumped after the US jobs data. The 10Y yield closed at 4.76% (+7bps), its highest since November 2023 while the 30Y yield tested 5.00% before closing at 4.95% (+2bps). The 2Y yield jumped 12bps to 4.38%. In Europe, 10Y sovereign bond yields closed up in tune to 2-6bps (prior: +1 to +4bps, except for Norwegian and Swedish bonds).
- In the forex space, DXY surged to an intraday high of 109.97, its highest since November 2022 before paring some of these gains to close at 109.65 (+0.4% d/d). Save for the JPY (+0.3% d/d), all G10 currencies weakened against USD with GBP, AUD and NZD notable underperformers at -0.8% d/d each. Regional currencies closed mixed against the Dollar, with MYR appreciating 0.1% d/d to 4.4975, while SGD and CNH weakened in tune to 0.1-0.2% d/d to 1.3715 and 7.3633 respectively. Asian currencies will likely be under pressure today following the strong US jobs data.
- In the commodity space, crude oil prices jumped more than 3% d/d each amid the cold spell in parts of US and Europe and further US sanctions on Russia.

US NFP raises risks of extended Fed pause; consumer sentiment fell on weakened expectations index

- Gains in December's NFP (+256k vs +212k) surprised on the upside again, while revisions to the past two months were a smallish -8k. Employment trended up in health care, government, and social assistance, while retail trade added jobs during the month, following a job loss in November. The unemployment rate unexpectedly eased to 4.1% in December, better than consensus forecast and Fed's projection of 4.2%. Wage growth was 0.3% m/m and +3.9% y/y, slowing from +0.4% m/m and +4.0% y/y previously.
- The University of Michigan Sentiment index unexpectedly weakened to 73.2 in January from 74.0 previously, as divergent views of the present (77.9 vs 75.1) and the future (70.2 vs 73.3) reflects easing concerns over the current cost of living, but surging worries over the future path of inflation, the latter

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	41,938.45	-1.63
S&P 500	5,827.04	-1.54
NASDAQ	19,161.63	-1.63
Stoxx Eur 600	511.50	-0.84
FTSE 100	8,248.49	-0.86
Nikkei 225	39,190.40	-1.05
CSI 300	3,732.48	-1.25
Hang Seng	19,064.29	-0.92
Straits Times	3,801.56	-1.58
KLCI 30	1,602.41	0.10
FX		
Dollar Index	109.65	0.43
EUR/USD	1.0244	-0.54
GBP/USD	1.2207	-0.82
USD/JPY	157.73	-0.26
AUD/USD	0.6147	-0.79
USD/CNH	7.3633	0.10
USD/MYR	4.4975	-0.12
USD/SGD	1.3715	0.23
Commodities		
WTI (\$/bbl)	76.57	3.58
Brent (\$/bbl)	79.76	3.69
Gold (\$/oz)	2,715.00	0.90
Copper (\$\$/MT)	9,091.50	0.14
Aluminum(\$/MT)	2,571.50	1.28
CPO (RM/tonne)	4,631.00	-1.52

Source: Bloomberg, HLBB Global Markets Research

* CPO dated as of 9 Jan

seeing year-ahead and long run inflation expectations soaring to 3.3%, its highest since May 2024 for the former and up 0.3ppts for the latter.

Australia's household spending continued to grow, albeit a milder pace

- Household spending continues to grow, albeit weaker than expected at +0.4% m/m in November and a deceleration from +0.9% m/m the prior month. 6 out of the 9 spending categories rose, with Black Friday sales and strength in new vehicle purchases driving discretionary spending up +0.4% m/m during the month, suggesting RBA may comfortably leave its cash rate unchanged at 4.35% in February.

Japan's leading index's index fell after two months of improvement

- The leading Index fell more than expected to 107.0 in November from 109.1 previously, while the assessment of coincidence was maintained at "halting to fall." The downtick for the leading index was the first in two months, primarily weighed down by floor area (housing starts), Nikkei Commodity price index as well as worsening small business sales forecasts. Most of the other sub-indicators improved, suggesting that the economy remains on a moderate increasing trend.

Malaysia's IPI accelerated for the first time in four months to +3.6% y/y; soothing slowdown concerns seen after soft October data

- Industrial Production Index (IPI) grew at a faster pace for the first time in four months, by 3.6% y/y in November (Oct: +2.0% y/y). This came in above consensus estimate (+2.5% y/y) but below our expectation (+4.1% y/y), but still marked an improvement nonetheless. The reacceleration in production growth was driven by improvement seen across all the three key sectors, most notably manufacturing. This should soothe concern seen last month when October data releases came in on the weaker side, and was in line with our view that economic activities will see better traction in November and December.
- A separate release on manufacturing sales also echoed the same, registering quicker growth of 4.5% y/y in November (Oct: +3.0% y/y) on the back of a pick-up in export-oriented sectors and softening domestic-oriented sectors. Accompanying labour market data were also positive, as salaries & wages rose at a faster pace for the 2nd straight month (+1.8% vs +1.7% y/y), while the number of employees also gained speed for the 2nd straight month and increased 1.0% y/y (Oct: +0.9% y/y).
- We remain cautiously optimistic of sustained growth in the final quarter of the year, expecting economic activities to improve further in December. No change to our 4Q GDP growth forecast of 5.3% and full year GDP growth projection of 5.2% for now pending the release of advanced estimates on 17-Dec and other December data in the near future.

House View and Forecasts

FX	This Week	1Q-25	2Q-25	3Q-25	4Q-25
DXY	107-111	109.03	108.76	106.58	104.45
EUR/USD	1.01-1.05	1.03	1.03	1.05	1.06
GBP/USD	1.21-1.25	1.24	1.24	1.25	1.27
USD/JPY	154-161	158	155	150	146
AUD/USD	0.60-0.64	0.62	0.63	0.64	0.66
USD/MYR	4.47-4.54	4.55	4.50	4.40	4.35
USD/SGD	1.35-1.38	1.37	1.35	1.32	1.29

Rates, %	Current	1Q-25	2Q-25	3Q-25	4Q25
Fed	4.25-4.50	4.00.-4.25	3.75-4.00	3.75-4.00	3.75-4.00
ECB	3.00	2.50	2.00	2.00	2.00
BOE	4.75	4.50	4.25	4.00	4.00
BOJ	0.25	0.50	0.50	0.75	0.75
RBA	4.35	4.35	4.10	3.85	3.60
BNM	3.00	3.00	3.00	3.00	3.00

Source: HLBB Global Markets Research

Up Next

Date	Events	Prior
13-Jan	AU Melbourne Institute Inflation YoY (Dec)	2.90%
	CH Exports YoY (Dec)	6.70%
	US NY Fed 1-Yr Inflation Expectations (Dec)	2.97%
14-Jan	AU Westpac Consumer Conf SA MoM (Jan)	-2.00%
	JN Eco Watchers Survey Outlook SA (Dec)	49.4
	US NFIB Small Business Optimism (Dec)	101.7
	US PPI Final Demand YoY (Dec)	3.00%

Source: Bloomberg

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