

14 January 2025

Global Markets Research

Daily Market Highlights

14 Jan: Trade restrictions fear disrupted the markets

**US tech stocks hit by US restrictions on AI chips; energy stocks gained on higher oil prices
Commodity currencies led gains against USD; Milder trading for USTs ahead of CPI print
China's exports jumped; exporters front-load on expectations of higher tariffs**

- US equities closed mixed overnight, with tech stocks hit by recently proposed US export restrictions on advanced AI chips by Nvidia and its peers, while energy stocks rallied on extended gains for crude oil prices. Investors also bought in dip and rotated into other non-technology sectors like materials and healthcare, and consequently, the Dow outperformed its peers and rose 0.9% d/d. The S&P 500 also increased +0.2% d/d, but Nasdaq lost 0.4% d/d during the day.
- As it is, surging bond yields has been one of the catalysts for the sell-off recently, but this week, investors will be following the US CPI closely, while earnings season kicks into full-gear with banking stock corporate results expected from the likes of JPMorgan Chase and Wells Fargo. Meanwhile, equities markets in Europe and Asia all ended the day largely in red, and the latter is set for a shaky start today tracking futures.
- In the bond space, trading in the Treasury market was more muted and UST yields closed the day with narrower gains between 0-2bps. The benchmark 2Y yield closed flat at 4.38%, while the 10Y yield rose 2bps to 4.78%. The European bond markets extended their sell-off, with the 10Y yields closing 2-5bps higher (prior: +2 to +6bps).
- In the forex space, DXY rose 0.3% d/d to 109.96, with commodity currencies like CAD, NOK and AUD (+0.3-0.5% d/d) outperforming USD and their peers in line with the higher oil prices overnight, while SEK, CHF and GBP (0 to -0.3% d/d) lagged. Regional currencies closed mixed against the Dollar, with CNH and SGD strengthening in tune to 0.1-0.2% d/d, but MYR weakened 0.3% d/d to settle at 4.5105.
- Oil extended gains as the fresh wave of US sanctions against the Russian oil industry threatened to disrupt global supply. It is reported that a group of EU nations intend to follow suit, and introduce further restrictions on natural gas. Consequently, Brent closed the day 1.6% d/d up to \$81.01/barrel, while the West Texas Intermediate rallied 2.9% d/d to \$78.82/barrel.

Steady 1Y inflation expectations for the New York region

- Matching expectations, December's New York Fed inflation expectations were unchanged at 3.0% for the 1Y horizon, increased to 3.0% (prior: 2.6%) for the 3Y ahead horizon, and declined to 2.7% (prior: 2.9%) for the 5Y ahead horizon. Labour market expectation, meanwhile, was broadly weaker. The perceived probability of losing one's job and leaving one's job voluntarily in the next 12 months declined to their lowest since January 2024, while the perceived probability of finding a job if one's current job was lost, declined sharply to 50.2% from 54.1% previously, its lowest since April 2021.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	42,297.12	0.86
S&P 500	5,836.22	0.16
NASDAQ	19,088.10	-0.38
Stoxx Eur 600	508.68	-0.55
FTSE 100	8,224.19	-0.29
Nikkei 225	39,190.40	-1.05
CSI 300	3,722.51	-0.27
Hang Seng	18,874.14	-1.00
Straits Times	3,791.70	-0.26
KLCI 30	1,585.59	-1.05
FX		
Dollar Index	109.96	0.28
EUR/USD	1.0245	0.01
GBP/USD	1.2202	-0.04
USD/JPY	157.48	-0.16
AUD/USD	0.6177	0.49
USD/CNH	7.3470	-0.22
USD/MYR	4.5105	0.29
USD/SGD	1.3696	-0.14
Commodities		
WTI (\$/bbl)	78.82	2.94
Brent (\$/bbl)	81.01	1.57
Gold (\$/oz)	2,678.60	-1.34
Copper (\$\$/MT)	9,094.50	0.03
Aluminum(\$/MT)	2,578.50	0.27
CPO (RM/tonne)	4,725.00	2.03

Source: Bloomberg, HLBB Global Markets Research

* CPO dated as of 10 Jan

Australia's consumer sentiment fell, inflation gauge eased

- Mixed data from Australia. Consumer sentiment edged down for the second month by 0.7% m/m in January, after falling by 2.0% m/m the prior month. While sentiment has broadly improved over the past year, the index below the 100 level suggests that consumers remain pessimistic over the economic outlook, weighed down by the recent depreciation of the AUD as well as consumers' assessment of their finances as compared to a year ago.
- Meanwhile, the Melbourne Institute inflation gauge eased for the second month to +2.6% y/y in December from +2.9% y/y previously, suggesting that the disinflation trend remains on track, although still bumpy, and the RBA is on track for an easing path ahead, with the futures pencilling 2 to 3 rate 25bps rate cuts for the year.

China's trade numbers beat expectations; exports to the US jumped as exporters front-load shipment ahead of trade protectionist policies

- Exports accelerated more than expected to +10.7% y/y in December from +6.7% y/y previously, while imports unexpectedly reversed prior month's decline to rise 1.0% y/y (prior: -3.9% y/y). The uptick in the former reflects companies frontloading their shipments ahead of the upcoming Lunar New Year holidays and expectations of higher tariffs with President-elect Donald Trump back in the White House. The latter is reflected by strong exports to the US (+15.7% y/y), while exports to the ASEAN and EU region also gained.
- Moving ahead, outbound shipments are likely to stay resilient in the near-term ahead of the tariffs, but outlook for the medium term remains murky, as protectionist policies by the US could dampen global trade momentum. Imports may see some soft recovery, supported by seasonal demand in the short-term and possibly stronger demand for industrial commodities, with accelerated fiscal spending in the medium term.

House View and Forecasts

FX	This Week	1Q-25	2Q-25	3Q-25	4Q-25
DXY	107-111	109.10	108.58	106.93	105.27
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
14-Jan	JN Bank Lending Ex-Trusts YoY (Dec)	3.30%
	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%

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15-Jan	UK CPI Core YoY (Dec)	3.50%
	UK PPI Output NSA YoY (Dec)	-0.60%
	UK House Price Index YoY (Nov)	3.40%
	EC Industrial Production SA MoM (Nov)	0.00%
	US MBA Mortgage Applications	-3.70%
	US Empire Manufacturing (Jan)	0.2
	US CPI Ex Food and Energy YoY (Dec)	3.30%
	US Real Avg Weekly Earnings YoY (Dec)	1.00%

Source: Bloomberg

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