

16 January 2025

Global Markets Research

Daily Market Highlights

16 Jan: Broadly softer price prints in the US and UK

DXY and UST yields fell after tamer core CPI; bringing forward rate cut pricing to July
GBP strengthened despite cooler UK CPI; weak German GDP weighed down on EUR
Bank Indonesia unexpectedly cut policy rate; IDR led losses among regionals

- US equities rallied overnight after the tamer-than-expected inflation data saw traders reviving bets that the Fed will cut rates sooner (in July) than previously thought, and amid solid results from big banks like Goldman Sachs, Wells Fargo, Citigroup and JP Morgan. The latter should set a positive tone for this earnings season. Nasdaq outperformed with a 2.5% d/d gain, while the Dow and S&P 500 also rose 1.7% d/d and 1.8% d/d respectively, the latter led by consumer discretionary, communication services and financial stocks.
- Elsewhere, European stock markets also closed in the green, Asian markets closed mixed but are primed for positive opens today following futures and overnight gains in Wall Street.
- In the bond space, Treasuries rallied following the US CPI print, pushing UST yields down 10-15bps across the curve. Yields to the 2Y and 10Y settled at 4.26% (-10bps) and 4.65% (-14bps) respectively. Led by UK gilts, 10Y European bond yields fell in tune to 7-16bps, a turnaround from the previous day's +1 to +4bps.
- In the forex space, DXY dropped to its session low of 108.60 after the US CPI print, but pared its losses to close at 109.09 (-0.2% d/d). The Dollar weakened against all its G10 peers, save for the DKK, CHF and EUR (0.0 to -0.2% d/d), sentiment for the latter partially dented by weak GDP data from Germany (-0.2% for 2024 vs -0.3% for 2023). Leading gains against the Dollar were JPY (0.9% d/d) and AUD (0.5% d/d). JPY rallied after BOJ Governor Ueda commented that he heard encouraging views on the wages front, raising bets of a rate hike next week. GBP/USD whipsawed before and after the UK CPI release which came in cooler than expected, before closing 0.2% d/d stronger at 1.2242.
- Regional currencies closed mixed against the Dollar, with MYR strengthening 0.2% d/d to 4.4988, but SGD and CNH depreciated by less than 0.1% d/d each. IDR underperformed, weakening 0.3% d/d after Bank Indonesia unexpectedly cut its policy rate by 25bps to 5.75%.
- In the commodity space, both Brent and WTI closed above \$80/barrel, supported by a draw in US crude stockpiles and

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	43,221.55	1.65
S&P 500	5,949.91	1.83
NASDAQ	19,511.23	2.45
Stoxx Eur 600	515.02	1.33
FTSE 100	8,301.13	1.21
Nikkei 225	38,444.58	-0.08
CSI 300	3,796.03	-0.64
Hang Seng	19,286.07	0.34
Straits Times	3,772.58	-0.43
KLCI 30	1,562.12	-0.91
FX		
Dollar Index	109.09	-0.17
EUR/USD	1.0289	-0.18
GBP/USD	1.2242	0.22
USD/JPY	156.47	-0.94
AUD/USD	0.6227	0.52
USD/CNH	7.3487	0.07
USD/MYR	4.4988	-0.20
USD/SGD	1.3671	0.04
Commodities		
WTI (\$/bbl)	80.04	3.28
Brent (\$/bbl)	82.03	2.64
Gold (\$/oz)	2,717.80	1.32
Copper (\$\$/MT)	9,167.50	0.15
Aluminum(\$/MT)	2,601.50	1.62
CPO (RM/tonne)	4,797.50	-0.26

Source: Bloomberg, HLBB Global Markets Research

* CPO dated as of 14 Jan

potential supply disruptions due to the new US sanctions on Russia. OPEC reiterated its earlier forecast that global oil demand will expand at a robust clip at 1.4 mb/d in 2025 and 2026, while the International Energy Agency now expects a smaller surplus of 725k in global oil markets.

Fed Beige Book said the US economy grew slightly-to-moderately in Nov-Dec; core inflation unexpectedly eased

- After four consecutive 0.3% m/m prints, December's core inflation unexpectedly decelerated to +0.2% m/m (3.2% y/y for Dec vs +3.3% y/y in Nov), while headline matched expectations and accelerated to +0.4% m/m after increasing 0.3% m/m previously (+2.9% y/y vs +2.7% y/y). Details showed that energy accounted for the bulk of monthly inflation, while within core CPI, goods (+0.1% m/m vs +0.3% m/m) eased thanks to used car prices, while services held steady at +0.3% m/m, as the jump in transportation costs were offset by cooler medical care-related cost increases. Shelter costs were unchanged.
- Real average weekly earnings grew at a slower pace for the second month by +0.7% y/y in December (prior: +0.9% y/y), weighed down by lower nominal earnings growth as well as higher inflationary pressures.
- Highlights from the latest Beige Book includes: 1) Economic activity grew slightly-to-moderately in late November and December (prior: rose slightly), and most districts were optimistic about the outlook for 2025. 2) On the household front, consumer spending grew moderately, with strong holiday sales exceeding expectations, while residential real estate activity was unchanged. Data overnight saw mortgage applications surging 33.3% w/w for the week ended January 10, rebounding from -3.7% w/w previously. 3) Manufacturing decreased slightly, with signs of manufacturers stockpiling inventories in anticipation of higher tariffs. Data overnight saw the Empire Manufacturing plunging to -12.6, suggesting that economic activities unexpectedly turned contractionary in January for the district although we reckon seasonal factors were in play. 4) Within services, nonfinancial services sector grew slightly overall, with growth noted for leisure & hospitality and transportation industries, while financial services reported modest growth in lending and little change in asset quality. Lenders flagged concerns over delinquencies amongst small businesses and lower-income households.

Eurozone's industrial production stabilised towards end-2024

- IPI grew for the second consecutive month by +0.2% m/m in November (prior: +0.2% m/m). Still, this comes on the back of a large decline in September, and as such, it is unlikely that manufacturing has contributed positively to GDP growth in 4Q. Production

improved across all sub-components, but these were offset by slower growth for capital goods.

UK's inflation unexpectedly cooled on airfares and hotel rates

- CPI inflation unexpectedly cooled to 2.5% y/y in December, while core eased more than expected to 3.2% y/y (prior: +2.6% y/y and +3.5% y/y), prompting traders to increase bets that the BOE will deliver a 25bps rate cut by the end of 1Q. Signs of abating underlying price pressures were prevalent, with price for services easing sharply to 4.4% (prior: 5.0% y/y), its lowest since March 2022, while noting that the fall was mainly due to the plunge in volatile air fares and a sharp easing in hotel price inflation. As such, these factors could reverse, and coupled with higher energy bills, could see inflation inching up in the near term.
- Meanwhile, PPI-output rebounded to +0.1% y/y for the same month (prior: -0.5% y/y), its first increase in 4 months, with the largest contribution from "other outputs from manufacturing", and outputs of food products. The House Price Index continued with its upward momentum, accelerating to +3.3% y/y in November from +3.0% y/y, with the North East the fastest growing region, while house prices in London fell 0.1% y/y (prior: -0.4% y/y).

Steady PPI for Japan

- Data this morning showed that producer prices expanded by 3.8% y/y and 0.3% m/m in December, matching expectations and unchanged from the prior month. The largest upward contribution from inflation were electricity, gas & water, followed by uptick in commodity prices like petroleum, coal, agriculture to forestry.

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
16-Jan	AU Consumer Inflation Expectation (Jan)	4.20%
	AU Employment Change (Dec)	35.6k
	AU Unemployment Rate (Dec)	3.90%
	UK Monthly GDP (MoM) (Nov)	-0.10%
	EC Trade Balance NSA (Nov)	6.8b
	US Retail Sales Advance MoM (Dec)	0.70%
	US Import Price Index YoY (Dec)	1.30%
	US Philadelphia Fed Business Outlook (Jan)	-16.4
	US New York Fed Services Business Activity (Jan)	-5.2
	US Initial Jobless Claims	201k
17-Jan	US NAHB Housing Market Index (Jan)	46
	SI Non-oil Domestic Exports YoY (Dec)	3.40%
	CH New Home Prices MoM (Dec)	-0.20%
	CH GDP YoY (4Q)	4.60%
	CH Industrial Production YoY (Dec)	5.40%
	CH Retail Sales YoY (Dec)	3.00%
	CH Fixed Assets Ex Rural YTD YoY (Dec)	3.30%
	CH Surveyed Jobless Rate (Dec)	5.00%
	MA GDP Annual YoY (2024 A)	3.70%
	UK Retail Sales Ex Auto Fuel MoM (Dec)	0.30%
	US Housing Starts MoM (Dec)	-1.80%
	US Building Permits MoM (Dec P)	5.20%
	US Industrial Production MoM (Dec)	-0.10%

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

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