17 January 2025

Global Markets Research

Daily Market Highlights

17 Jan: Back to risk-off mood

Dovish remarks from Waller sent UST yields tumbling; DXY retreated below 109-handle

US equities struggled despite strong bank earnings; mixed economic data from the US

All eyes on China's and Malaysia's 4Q GDP prints today

- US equities struggled and the S&P 500 ended its winning streak overnight, dragged by declines in large tech shares. The broad market index, as well as the Dow, slid 0.2% d/d, while the tech-heavy Nasdaq underperformed with a 0.9% d/d drop. The major averages gave up gains from earlier in the day, which came on the back of strong corporate earnings from Morgan Stanley and Bank of America. Market reaction to the mixed economic data, meanwhile, was muted.
- In Europe, luxury stocks rallied amid a robust sales update from Richemont. Asian stocks also closed mostly in green tracking Wall Street's rally the previous day, but may open soft today amid jittery ahead of China's GDP print.
- In the bond space, UST yields fell in tune to 3-5bps (prior: -11 to -15bps) across the curve, following dovish remarks from Fed Governor Christopher Waller, who said that fresh rate cuts are possible in 1H if inflation continues to be favourable. Consequently, yields to the 2Y and 10Y settled at 4.23% (-3bps) and 4.61% (-4bps) respectively. 10Y European bond yields fell 1-5bps, narrowing from -7 to -16bps previously.
- The DXY pared early gains alongside the lower Treasury yields, and closed the day 0.1% d/d lower at 108.96. G10 currencies closed mixed against the Dollar, with JPY leading gains at +0.8% d/d after the BOJ Governor repeated the bank's pledge to discuss an interest rate increase next week. CAD and NOK (-0.3 to -0.4% d/d) led losses against USD, as oil slipped from its recent high, while GBP closed just below its flatline after its GDP miss.
- Regional currencies closed mixed against the Dollar with IDR and INR notable underperformers at -0.2% d/d each. MYR also closed 0.1% d/d weaker at 4.5030, but CNH and SGD closed just above their flatlines at 7.3469 and 1.3670 respectively.
- Oil prices (-0.9% to -1.7% d/d) retreated from their 5-month highs after the recent boost from the Russia sanctions. Traders remain on tenterhooks on the Trump administration's approach to Russian sanctions, especially since Scott Bessent, Trump's nominated treasury secretary called for stronger sanctions on Russia.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	43,153.13	-0.16
S&P 500	5,937.34	-0.21
NASDAQ	19,338.29	-0.89
Stoxx Eur 600	520.05	0.98
FTSE 100	8,391.90	1.09
Nikkei 225	38,572.60	0.33
CSI 300	3,800.38	0.11
Hang Seng	19,522.89	1.23
Straits Times	3,801.13	0.76
KLCI 30	1,555.54	-0.42
FX		
Dollar Index	108.96	-0.12
EUR/USD	1.0301	0.12
GBP/USD	1.2239	-0.02
USD/JPY	155.16	-0.84
AUD/USD	0.6213	-0.22
USD/CNH	7.3469	-0.02
USD/MYR	4.5030	0.09
USD/SGD	1.3670	-0.01
Commodities		
WTI ($/bbl)	78.68	-1.70
Brent ($/bbl)	81.29	-0.90
Gold ($/oz)	2,750.90	1.22
Copper ($$/MT)	9,230.50	0.69
Aluminum($/MT)	2,636.50	1.35
CPO (RM/tonne)	4,632.50	-3.44

Source: Bloomberg, HLBB Global Markets Research

** CPO dated as of 15 Jan*

US retail sales remain sturdy despite lower than forecast; jobless claims ticked up; import prices remained tame; builder confidence improved

- Echoing Fed's Beige Book, consumer spending grew moderately towards the end of 2024. Retail sales rose a still brisk 0.4% m/m in December, albeit softer than consensus forecast and November's +0.8% m/m. 10 of the 13 categories posted increases, with sales supported by strong holiday sales, and auto demand still recording robust growth as consumers front load purchases ahead of Trump's threat to end tax credits for electrical vehicles. Spending on food services & drinking places, a proxy of services spending, nonetheless, fell 0.3% m/m after gaining +0.1% m/m previously.
- On the labour front, initial jobless claims increased more than expected by 14k to 217k for the week ended January 11 (Prior: -8k), while continuing claims fell 18k the week before to 1859k (Dec 28: +43k). The uptick likely reflects seasonal volatility and delayed post-holiday layoffs, and temporary bump from the heavy snowfall in the Midwest and as more than 150k people faced evacuation orders from wildfires in California. While claims may increase in the near term following cut announcements from the likes of Boeing and Meta, it remains low at this level and should support consumer spending and the economy going forward.
- Imports prices was unchanged at +0.1% m/m in December (+2.2% y/y vs +1.4% y/y) as both fuel and nonfuel prices contributed to the overall increase, the latter as higher prices for foods, feeds, & beverages more than offset lower prices for nonfuel industrial supplies and materials, capital goods, and automotive vehicles. Of note, y/y prices were up 2.2% y/y, its largest yearly gain since December 2022, but with import prices not rising more than 0.1% m/m since April 2024, this suggests still mild imported inflation at this juncture.
- The NAHB Housing Market Index unexpectedly improved 1ppt to 47 in January, as builder sentiment was lifted by hopes for an improved economic growth and regulatory environment, which more than offset concerns over how building material tariffs and costs would put upward pressure on inflation.

Eurozone's trade surplus widened

- Trade surplus almost doubled from €8.6bn to €16.4bn in November as export growth outpaced imports at +3.2% m/m and +0.7% m/m respectively. Of note, a small uptick in exports to the US suggests that US importers may be purchasing European goods ahead of proposed tariffs, while exports to China plunged in view of the sluggish Chinese economy.

UK economy grew by 0.1% in November, missing consensus estimates

- The UK economy grew a mere 0.1% m/m in November, a rebound from -0.1% m/m previously but missing consensus forecasts. The uptick was largely driven by services (+0.1% m/m vs -0.1% m/m), especially wholesaling, pubs & restaurants and IT companies, while construction (+0.4% m/m vs -0.3% m/m) was led by new commercial developments. Production output fell 0.4% m/m (prior: -0.6% m/m), driven by the sluggish manufacturing sector (-0.3% m/m vs -0.6% m/m). The data will not dispel concerns that stagnant growth will persist, especially since the economy will face additional headwinds from tax increases coming into effect in April.

Better than expected employment data for Australia

- Consumer inflation expectation eased to 4.0% in January from 4.2% previously, while the latest labour data showed that unemployment rate remained low in December as the economy extended its hiring streak, reaffirming our view that the labour market remains healthy and that policy rates will remain status quo in 1Q. Unemployment rate ticked up to 4.0% as expected (prior: 3.9%), while employment change unexpectedly picked up pace to +56.3k from +28.2k previously.

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
17-Jan	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%
20-Jan	JN Core Machine Orders MoM (Nov)	2.10%
	CH 1-Year Loan Prime Rate	3.10%
	CH 5-Year Loan Prime Rate	3.60%
	MA Exports YoY (Dec)	4.10%
	JN Industrial Production MoM (Nov F)	-2.30%
	HK Unemployment Rate SA (Dec)	3.10%
	EC Construction Output MoM (Nov)	1.00%

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

DISCLAIMER

This report is for information purposes only and does not take into account the investment objectives, financial situation or particular needs of any particular recipient. The information contained herein does not constitute the provision of investment advice and is not intended as an offer or solicitation with respect to the purchase or sale of any of the financial instruments mentioned in this report and will not form the basis or a part of any contract or commitment whatsoever.

The information contained in this publication is derived from data obtained from sources believed by Hong Leong Bank Berhad ("HLBB") to be reliable and in good faith, but no warranties or guarantees, representations are made by HLBB with regard to the accuracy, completeness or suitability of the data. Any opinions expressed reflect the current judgment of the authors of the report and do not necessarily represent the opinion of HLBB or any of the companies within the Hong Leong Bank Group ("HLB Group"). The opinions reflected herein may change without notice and the opinions do not necessarily correspond to the opinions of HLBB. HLBB does not have an obligation to amend, modify or update this report or to otherwise notify a reader or recipient thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

HLB Group, their directors, employees and representatives do not have any responsibility or liability to any person or recipient (whether by reason of negligence, negligent misstatement or otherwise) arising from any statement, opinion or information, expressed or implied, arising out of, contained in or derived from or omission from the reports or matter.

Potential and actual conflict of interest may arise from the activities of HLB Group. HLB Group constitute a diversified financial services group. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, hedging transactions and other activities for their own account or the account of others. In the ordinary course of their business, HLB Group may effect transactions for their own account or for the account of their customers and hold long or short positions in the financial instruments. HLB Group, in connection with its business activities, may possess or acquire material information about the financial instruments. Such activities and information may involve or have an effect on the financial instruments. HLB Group have no obligation to disclose such information about the financial instruments or their activities.

The past performance of financial instruments is not indicative of future results. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Any projections or forecasts mentioned in this report may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information. No assurance can be given that any opinion described herein would yield favourable investment results. Recipients who are not market professional or institutional investor customer of HLBB should seek the advice of their independent financial advisor prior to taking any investment decision based on the recommendations in this report.

HLBB may provide hyperlinks to websites of entities mentioned in this report, however the inclusion of a link does not imply that HLBB endorses, recommends or approves any material on the linked page or accessible from it. Such linked websites are accessed entirely at your own risk. HLBB does not accept responsibility whatsoever for any such material, nor for consequences of its use.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. This report is for the use of the addressees only and may not be redistributed, reproduced or passed on to any other person or published, in part or in whole, for any purpose, without the prior, written consent of HLBB. The manner of distributing this report may be restricted by law or regulation in certain countries. Persons into whose possession this report may come are required to inform themselves about and to observe such restrictions. By accepting this report, a recipient hereof agrees to be bound by the foregoing limitations.