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Global Markets Research
Daily Market Highlights

20 Jan: IMF upgraded global growth to 3.3% for 2025

IMF revised up its US GDP forecast; downgraded EU; global inflation to ease to 4.2%

China met its 5.0% GDP growth target for 2024; IMF upped 2025 growth forecast to 4.6%

Malaysia's GDP disappointed with a 4.8% y/y growth for 4Q; full year growth at 5.1%

- Global equity markets closed mostly in green last Friday, as big tech to manufacturers and banking stocks pushed all the three US major averages up 0.8-1.5% d/d. Meanwhile in Europe, Stoxx 600 rose 0.7% d/d with mining stocks leading gains amid reports that Glencore had been in talks with Rio Tinto for a merger.
- In Asia, Hang Seng and CSI 300 benefitted from the GDP beat from China, and will likely open up today following futures as well as "positive" conversation between Donald Trump and Chinese leader Xi Jinping on trade to TikTok issues last Friday. Wall Street will be closed today in commemoration of Martin Luther King Jr. Day.
- In the bond space, UST yields rebounded in tune to 0-5bps across the curve (prior: -3 to -5bps), but 10Y European bond yields fell at a wider range of 1-7bps (prior: -1 to -5bps). Yields to the 2Y and 10Y Treasuries settled at 4.28% (+5bps) and 4.63% (+2bps) respectively.
- In the forex space, DXY gained 0.4% d/d to 109.35 ahead of Donald Trump's presidential inauguration. The US Dollar strengthened against all its G10 peers. EUR and JPY weakened 0.3% d/d and 0.7% d/d against USD ahead of their central bank meetings this week, with traders pencilling high probability for an ECB rate cut and a BOJ rate hike. GBP and MYR weakened 0.6% d/d and 0.1% d/d (to 1.2169 and 4.5065 respectively) following their respective retail sales and GDP miss, while CNH strengthened 0.1% d/d after China's economy turned out better than expected and met the Government's target of 5.0%. SGD depreciated 0.1% d/d to 1.3684 despite its NODX data coming in better than expected.
- In the commodity space, crude oil prices retreated 0.6-1.0% d/d, as traders weighed on growing risks to supply from US sanctions on Russian oil as well as uneven economic signals from China.

IMF expects the global economy to grow a tad higher by 3.3% in 2025; upgraded US growth forecast but downgraded EU's

- The IMF, in its latest World Economic Outlook, projects ***global growth of 3.3% in 2025 and 2026 (2024: +3.2%), 0.1ppt higher from***

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	43,487.83	0.78
S&P 500	5,996.66	1.00
NASDAQ	19,630.20	1.51
Stoxx Eur 600	523.62	0.69
FTSE 100	8,505.22	1.35
Nikkei 225	38,451.46	-0.31
CSI 300	3,812.34	0.31
Hang Seng	19,584.06	0.31
Straits Times	3,810.78	0.25
KLCI 30	1,566.72	0.72
FX		
Dollar Index	109.35	0.36
EUR/USD	1.0273	-0.27
GBP/USD	1.2169	-0.57
USD/JPY	156.30	0.73
AUD/USD	0.6193	-0.32
USD/CNH	7.3415	-0.07
USD/MYR	4.5065	0.08
USD/SGD	1.3684	0.10
Commodities		
WTI ($/bbl)	77.88	-1.02
Brent ($/bbl)	80.79	-0.62
Gold ($/oz)	2,748.70	-0.08
Copper ($$/MT)	9,190.00	-0.44
Aluminum($/MT)	2,684.50	1.82
CPO (RM/tonne)	4,619.50	-0.28

Source: Bloomberg, HLBB Global Markets Research
** CPO dated as of 16 Jan*

its previous estimate. Global headline inflation is expected to ease to 4.2% in 2025 and to 3.5% in 2026, but it should be noted that IMF's projection is based on the assumption that energy commodity prices are expected to decline by 2.6% in 2025, incorporated recent market developments and the impact of heightened trade policy uncertainty, but have refrained from making any assumptions about potential policy changes.

- The ***IMF revised its GDP forecast for the US up 0.5ppts to 2.7% in 2025 (2024: 2.8%)*** as underlying demand has remained robust, and reflecting strong wealth effects, a less restrictive monetary policy stance, supportive financial conditions, robust labor markets and accelerating investment. Growth is expected to taper to potential (2.1%) in 2026.
- ***For the Euro area, growth for 2025 has been revised down 0.2ppts to 1.0% (2024: 0.8%)*** with geopolitical tensions continuing to weigh on sentiment, on weaker-than-expected momentum at the end of 2024 especially in manufacturing, and heightened political and policy uncertainty. In 2026, growth is set to rise to 1.4%, helped by stronger domestic demand. Growth outlook for the UK and China has also been revised up by 0.1ppt to 1.6% and 4.6% respectively for 2025. All countries are expected to see easier growth next year, except the Eurozone.

US industrial output and housing starts topped expectations

- Broadly positive data from the US. IPI jumped more than expected by 0.9% m/m in December (prior: +0.2% m/m), with manufacturing output growth accelerating to +0.6% m/m from +0.2% m/m previously. Notably, output of aircraft and parts contributed 0.2ppts of total production growth following the resolution of a work stoppage at Boeing, and contributed to the jump in business equipment. The majority of market groups also posted gains, more signs that the manufacturing sector has stabilised if not turnaround, notwithstanding headwinds from higher tariffs and potentially, supply chain disruption going forward.
- On the housing front, housing starts jumped more than expected by 15.8% m/m in December (prior: -3.7% m/m). Driven by a surge in multifamily projects and a more modest advance in one-family homes, housing starts at the 1.5m level is the highest since early 2024, suggesting optimism amongst builders and for housing demand. The outlier was building permits, which fell 0.7% m/m after increasing +5.2% m/m previously, but we will be waiting for January data for more clarity on this.

UK retail sales unexpectedly fell despite festive demand

- Retail sales unexpectedly fell 0.3% m/m in December (prior: +0.1% m/m) and remained 2.5% lower than pre-pandemic level in February 2020, adding to signs that the economy may have stalled, if not contracted in 4Q. Despite growing real incomes and festive demand, sales fell for supermarkets, which more than offset non-food stores, such as clothing retailers.

Japan's core machine orders unexpectedly accelerated on non-manufacturing

- Defying expectations for a contraction, core machine orders accelerated to 3.4% m/m in November from 2.1% m/m previously, in support for a monetary policy tightening this week. This marks the second monthly gain, driven by a rebound in non-manufacturing orders while manufacturing orders grew at a softer, but still robust rate of 6.0% m/m (prior: +12.5% m/m).

China met its 5.0% GDP growth target for 2024; IMF revised its 2025 forecast up to 4.6%

- China's economy met the government's target of 5.0% in 2024. Growth quickened towards the end of the year, with the economy growing at a faster pace of 5.4% y/y in 4Q (3Q: +4.6% y/y), beating consensus forecast to mark its strongest pace since 3Q of 2023. Quarterly growth also quickened for the second quarter to +1.6%, up from +1.3% previously, supported by stimulus measures by the government and on the back of strong external demand, the latter driven by manufacturers front-loading their shipments ahead of possibly more tariff restrictions from the US.
- For 2025, the IMF marginally revised upward its GDP forecast for China by 0.1ppts to 4.6%. The revision reflects carryover from 2024 and the fiscal package announced in November, largely offsetting the negative effect on investment from heightened trade policy uncertainty and property market.

Singapore's NODX beat expectations; mainly due to non-electronics

- Non-oil domestic exports (NODX) extended growth for another month, beating consensus forecasts with a 1.7% m/m and +9.0% y/y gain (prior: +14.7% m/m and +3.4% y/y). On a yearly basis, exports grew for both electronics (+18.6% y/y vs +23.1% y/y) and non-electronics, the latter supported by shipments of non-monetary gold, food preparations and specialised machinery equipment. NODX to the US, Taiwan and Malaysia expanded, while exports to the EU and China fell.

Malaysia's advanced GDP estimate showed that the economy decelerated more than expected in 4Q

- The economy grew a tad softer than expected by 4.8% y/y in 4Q (3Q: +5.3% y/y), bringing full year growth to 5.1% y/y. The deceleration was underpinned by slower growth in manufacturing (+4.3% y/y vs +5.6% y/y) and construction (+19.6% y/y vs +19.9% y/y), while the agriculture and mining sectors remained contractionary at -0.6% y/y and -1.4% y/y respectively. Services was the outlier and expanded by 5.3% y/y (prior: +5.2% y/y), underpinned by positive expansion across all sub-sectors and led by wholesale & retail trade, transportation & storage and information & communication.

- For 2025, we are pencilling a growth forecast of 4.5%, with steady labour market, continued wage growth, cash assistance, and civil servants pay rise expected to support consumption. Meanwhile, private investment will be driven by strategic investments in areas like renewable energy and digital infrastructure. No change to our view for an OPR pause through 2025 given continued moderate growth outlook and well-contained inflation.

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	1.21-1.24	1.24	1.24	1.25	1.27
USD/JPY	152-158	158	155	150	146
AUD/USD	0.61-0.64	0.62	0.63	0.64	0.66
USD/MYR	4.47-4.53	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
20-Jan	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%
21-Jan	UK Average Weekly Earnings 3M/YoY (Nov)	5.20%
	UK ILO Unemployment Rate 3Mths (Nov)	4.30%
	UK Payrolled Employees Monthly Change (Dec)	-35k
	HK CPI Composite YoY (Dec)	1.40%
	EC ZEW Survey Expectations (Jan)	17
	US Philadelphia Fed Non-Manufacturing Activity (Jan)	-6

Source: Bloomberg

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