

23 January 2025

Global Markets Research
Daily Market Highlights

23 Jan: Trade restrictions remain on investors' radar

Stargate AI project and solid corporate earnings whet risk appetite and US equities

Modest tariff hikes expectations saw UST yields and DXY edging up slightly

MYR gained after BNM maintained OPR and neutral stance; CPI unexpectedly eased

- Enthusiasm over artificial intelligence (AI) and a positive batch of earnings from corporate heavyweights drove AI-linked stocks up and the S&P 500 briefly hitting all-time high overnight. Shares like Oracle, Softbank and Nvidia jumped after President Donald Trump announced a \$500bn investment in AI infrastructure, while Netflix and Procter & Gamble shares rallied after reporting solid earnings. Consequently, the S&P 500 and Dow added 0.6% d/d and 0.3% d/d respectively, while Nasdaq rallied 1.3% d/d.
- European stocks also closed higher as Adidas shares pushed consumer stocks up and DAX to another record high. CSI 300 and Hang Seng in Asia tumbled after Trump suggested a 10% tariff on China starting February 1, eclipsing the basket of stock market stabilising measures announced on Wednesday, which include plans to increase pension investment on listed companies. However, Asian stocks are poised for higher open today, tracking Wall Street as well as futures.
- In the bond space, Treasuries pared some of the past week's gains on bets that Trump will take a moderate approach in imposing tariffs, and as a 20Y bond auction put supply back on the centre stage. These pushed UST yields 2-4bps higher to end the day (prior: -1 to -5bps), and the 2Y and 10Y yields closed at 4.30% (+2bps) and 4.61% (+4bps) respectively. 10Y European bond yields rebounded 0-4bps overnight (prior: 0 to -5bps).
- In the forex space, DXY closed up 0.1% d/d to 108.17 and the Dollar strengthened against most of its G10 peers as investors await more concrete announcements from the US on tariffs. JPY (-0.7% d/d) lagged, followed by CAD (-0.4% d/d) and GBP (-0.3% d/d). Appetite for the Loonie was dampened by Trump's renewed tariff threat and amid cooling inflation data recently, while sterling weakened after Britain ran a bigger-than-expected budget deficit. EUR depreciated 0.2% d/d after ECB policymakers backed further rate cuts.
- Regional currencies closed mixed against the Dollar, with MYR outperforming its peers by 0.9% d/d to 4.4358. This comes after BNM maintained the OPR as well as its neutral stance reaffirming expectations for an unchanged OPR this year. SGD and CNH

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	44,156.73	0.30
S&P 500	6,086.37	0.61
NASDAQ	20,009.34	1.28
Stoxx Eur 600	528.04	0.39
FTSE 100	8,545.13	-0.04
Nikkei 225	39,646.25	1.58
CSI 300	3,797.02	-0.93
Hang Seng	19,778.77	-1.63
Straits Times	3,781.21	-0.37
KLCI 30	1,587.80	0.46
FX		
Dollar Index	108.17	0.10
EUR/USD	1.0409	-0.18
GBP/USD	1.2316	-0.28
USD/JPY	156.53	0.65
AUD/USD	0.6274	0.00
USD/CNH	7.2814	0.19
USD/MYR	4.4358	-0.90
USD/SGD	1.3555	0.20
Commodities		
WTI (\$/bbl)	75.44	-0.59
Brent (\$/bbl)	79.00	-0.37
Gold (\$/oz)	2,770.90	0.42
Copper (\$\$/MT)	9,223.50	-0.66
Aluminum(\$/MT)	2,634.00	-0.45
CPO (RM/tonne)	4,619.50	0.90

Source: Bloomberg, HLBB Global Markets Research

depreciated by 0.2% d/d each, the latter hammered by Trump's tariff threats.

- In the commodity space, oil prices fell 0.4-0.6% d/d overnight on concerns that President Donald Trump's proposed tariffs could dampen global consumption and growth, overshadowing the supply hit due to US sanctions on Russian oil.

BNM maintained its OPR and neutral policy stance; headline CPI remained benign at 1.7% y/y, core softened to 1.6% y/y

- BNM left OPR unchanged at 3.00% for the tenth consecutive meeting as widely expected, a level it has been holding since May-2023. Again, we do not see any material changes in the policy statement, other than the mention of uncertainties and risks stemming from "more trade and investment restrictions" in both the global and Malaysian economic outlook context. The neutral policy statement suggests there is no plan to adjust the policy rate in the foreseeable future, hence our view for an extended pause in the OPR in 2025 remained intact.
- Data wise, Malaysia's inflation rate unexpectedly tapered off to 1.7% y/y in December (Nov: +1.8% y/y), marking its 2nd straight month of moderation and its smallest increase since Jan-24 led by softer gains in non-food prices (+1.1% vs +1.4% y/y). Most major categories (11 out of 13) reported steady to smaller increases in prices during the month, more than enough to offset the quicker price gains seen in food (+2.7% vs +2.6% y/y) and restaurants & hotels (+2.9% vs +2.8% y/y). Adding to signs of the moderation in inflation was the softening in core CPI from +1.8% to +1.6% y/y, which marked its lowest level in nearly three years. However, on a m/m basis, CPI eked out a marginal 0.1% m/m increase, rebounded from the 0.1% m/m decline seen in November.
- Foreign reserves fell further by \$0.7bn to \$115.5bn in 1H of January (2H of Dec: -\$1.9bn to \$116.2bn). The reserves position is sufficient to finance 4.9 months of imports and is 1.0 times of the total short-term external debt.

US leading index fell slightly in December

- Matching expectations, the US leading index fell slightly by 0.1% in December from an upwardly revised +0.4% previously, weighed down primarily by weak consumer confidence and manufacturing orders. Still, half the components contributed positively and the 6- and 12-month growth rates were less negative, suggesting fewer headwinds ahead in 2025.
- Amid the volatile seasonal factor and with mortgage rates near 7.0%, a key psychological level, this continued to slow the pace of activity for both refinances and purchases, weighing on mortgage applications for the week ended January 17 (+0.1% w/w vs 33.3% w/w).

* CPO dated as of 21 Jan

Japan's exports out beat forecasts

- In Japan, export growth gained for the third month and was better than expected at 2.8% y/y in December (prior: 3.8% y/y), supported by a weak yen and as businesses wait for clarity on Trump's tariff plans. Imports, on the other hand, rebounded less than expected at +1.8% y/y (prior: -3.8% y/y), bringing trade balance into surplus for the first time in 6-months.

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/CHF	0.90-0.92	0.91	0.91	0.90	0.88
USD/JPY	152-158	158	155	150	146
AUD/USD	0.61-0.64	0.62	0.63	0.64	0.66
NZD/USD	0.55-0.57	0.56	0.56	0.57	0.58
USD/CNY	7.24-7.31	7.37	7.30	7.23	7.15
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
23-Jan	SI CPI YoY (Dec)	1.60%
	UK CBI Trends Total Orders (Jan)	-40
	US Initial Jobless Claims	217k
	EC Consumer Confidence (Jan P)	-14.5
	US Kansas City Fed Manf. Activity (Jan)	-4
24-Jan	AU S&P Global Australia PMI Mfg (Jan P)	47.8
	AU S&P Global Australia PMI Services (Jan P)	50.8
	JN Natl CPI YoY (Dec)	2.90%
	UK GfK Consumer Confidence (Jan)	-17
	JN Jibun Bank Japan PMI Mfg (Jan P)	49.6
	JN Jibun Bank Japan PMI Services (Jan P)	50.9
	SI Industrial Production SA MoM (Dec)	-0.40%
	EC HCOB Eurozone Manufacturing PMI (Jan P)	45.1
	EC HCOB Eurozone Services PMI (Jan P)	51.6
	UK S&P Global UK Manufacturing PMI (Jan P)	47
	UK S&P Global UK Services PMI (Jan P)	51.1
	US S&P Global US Manufacturing PMI (Jan P)	49.4
	US S&P Global US Services PMI (Jan P)	56.8
	US U. of Mich. Sentiment (Jan F)	73.2
	US Existing Home Sales MoM (Dec)	4.80%
	JN BOJ Target Rate	0.25%
US Kansas City Fed Services Activity (Jan)	2	

Source: Bloomberg

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