

31 January 2025

Global Markets Research

Daily Market Highlights

31 Jan: All eyes on US core-PCE price today

Muted trading for USTs ahead of core-PCE; USD briefly jumped after Trump's tariff threat

Hawkish hold for the Fed; Economy & labour market conditions remained solid

ECB cut policy rates by 25bps after Eurozone's economy stalled in 4Q; Wage growth moderating

- US equities cut gains late in the session after President Donald Trump reiterated his 25% tariff threats on Canada and Mexico and as some tech stocks came under pressure ahead of Apple's results. Shares of Microsoft also fell sharply after its cloud-computing growth disappointed investors, sending the 3 major averages closing the day with only mild gains between 0.3-0.5% d/d.
- In Europe, Stoxx 600 closed up 0.9% d/d after the ECB delivered a rate cut as expected, and amid strong earnings from Deutsche Bank and Shell. Most Asia markets were closed for holiday but are poised to climb higher today following futures and Wall Street overnight.
- In the bond space, Treasury yields moved 0-2bps lower across the curve after the 4Q US GDP slowed more than forecast, and the benchmark 2- and 10Y yields settled at 4.21% and 4.52% respectively. 10Y European bonds fell in tune to 4-7bps after the ECB lowered its key policy rates.
- In the forex market, DXY rose to as high as 108.24 following Trump's threat, before paring these gains to close 0.2% d//d lower at 107.80. All G10 currencies weakened against the Dollar save JPY. JPY strengthened 0.6% d/d to 154.29 following BOJ Deputy Governor Ryozyo Himino's comment that the central bank would continue to raise interest rates if the economy and prices move in line with the bank's forecasts. Leading losses against USD were CAD, SEK and NZD (-0.4 to -0.7% d/d). while EUR traded 0.3% d/d weaker after ECB lowered policy rates as expected and after ECB President Lagarde's comment that the decision was unanimous, easing concerns for a bigger reduction. Regional currencies closed mixed in tune to +/- 0.6% d/d against USD, with SGD and CNH depreciating between 0.2-0.4% d/d against the Dollar. MYR weakened 0.4% d/d to 4.3980 on Tuesday.
- In the commodities market, oil prices fluctuated before closing 0.2-0.4% d/d higher, as traders await more clarity on tariffs threatened by Trump on Mexico and Canada.

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	44,882.13	0.38
S&P 500	6,071.17	0.53
NASDAQ	19,681.75	0.25
Stoxx Eur 600	538.84	0.86
FTSE 100	8,646.88	1.04
Nikkei 225	39,513.97	0.25
CSI 300	3,817.08	-0.41
Hang Seng	20,225.11	0.14
Straits Times	3,801.07	0.00
KLCI 30	1,552.69	-0.40
FX		
Dollar Index	107.80	-0.19
EUR/USD	1.0391	-0.29
GBP/USD	1.2419	-0.27
USD/JPY	154.29	-0.60
AUD/USD	0.6209	-0.35
USD/CNH	7.2934	0.38
USD/MYR	4.3980	0.35
USD/SGD	1.3527	0.24
Commodities		
WTI (\$/bbl)	72.73	0.15
Brent (\$/bbl)	76.87	0.38
Gold (\$/oz)	2,823.00	1.92
Copper (\$\$/MT)	9,128.50	0.67
Aluminum(\$/MT)	2,626.50	0.27
CPO (RM/tonne)	4,566.00	0.85

Source: Bloomberg, HLBB Global Markets Research
 * Straits Times, Hang Seng, KLCI, USD/MYR dated as of 28 Jan, CSI 300; CPO dated as of 27 Jan

Hawkish hold for the Fed; 4Q GDP moderated but underlying strength remains

- As expected, the FOMC maintained the Fed funds rate at 4.25-4.50%. More notable were hawkish edits to the accompanying statement which include: 1) While the statement reiterated that economic activity remains solid, **the statement removed the line inflation has “made progress towards the 2% objective”**, saying merely that “inflation remains somewhat elevated.” 2) **The latest statement also stated that the labour market conditions remain solid, in contrast to “labor market conditions have generally eased”** in the December statement. In his press conference, **Fed Chair Jerome Powell emphasized that the central bank is in no hurry to adjust its policy stance**, particularly as the economy remains strong.
- In fact, while GDP growth decelerated more than expected to 2.3% in 4Q from 3.1% q/q previously, underlying growth appears robust with consumer spending growing by 4.2% q/q (prior: +3.7% q/q). This was eclipsed by the rundown in inventories and as the Boeing strike weighed down on investment. As such, these factors may unwind this quarter, but growth will face headwinds from higher imports as businesses frontload shipments to avoid potential tariff hikes.
- Pending home sales was worse than expected, contracting 5.5% m/m and 2.9% y/y in December (prior: +1.6% m/m and +4.9% y/y). This comes after 4 straight months of gains as elevated mortgage rates dented housing demand, while the heavier-than-usual winter precipitation could have impacted the timing of purchases.
- In the labour market, jobless claims unexpectedly fell 16k to 207k for the week ended January 25 (prior: +6k), while continuing claims remained slightly elevated at 1858k the week before. This marks a 42k downshift from the week ago (Jan 11: +47k), partially due to the seasonal bump at the beginning of the year. Impact on the Los Angeles fire, meanwhile, appears to have limited impact on claims.

ECB cut policy rates by 25bps; Eurozone’s economic growth stalled in 4Q

- As anticipated, the ECB lowered the deposit facility, the main refinancing operations and the marginal lending facility by 25bps each to 2.75%, 2.90% and 3.15% respectively. In the accompanying statement, **ECB stated that the disinflation process is well on track and is set to return to its 2% medium-term target by end-2025. The ECB also added that wage growth is moderating as expected.** With the economy to remain weak in the near term, consensus is pencilling in 2 more 25bps rate cuts by the end of 2025.
- Data wise was mixed. The economy stalled in 4Q, worse than what consensus had anticipated, and a deceleration from +0.4% q/q previously. Amongst its largest economies, growth was negative in France and Germany, stagnated for Italy, while strong growth rates were observed for Spain and Portugal.

- Unemployment rate inched up 0.1ppts to 6.3% in December, within consensus estimates but remains low by historical standard, while the Economic Confidence Index improved more than expected to 95.2 in January (prior: 93.7) driven by increased confidence in industry, construction and, to a lesser extent, services. Consumer confidence remained stable.

Higher than expected mortgage approvals ahead of stamp duty hike for the UK

- Mortgage approvals increased more than expected to 66.5k in December from 66.1k previously, likely reflecting buyers bringing forward their purchases to avoid higher property taxes, while a gradual drop in interest rates will also support demand in the near term.

Mixed data from Japan; Highest core-inflation for Tokyo since February

- Data this morning from Japan was mixed. Industrial production rebounded more than expected to +0.3% m/m in December (prior: -2.2% m/m), largely driven by capital goods ex transportation, but retail sales fell more than expected by 0.7% m/m (prior: +1.9% m/m) despite unemployment rate unexpectedly improving to 2.4% (prior: 2.5%). On the price print, Tokyo's core-inflation ticked up to 2.5% in January from 2.4% previously, its fastest pace since February and in support for a BOJ rate hike going forward.

House View and Forecasts

FX	This Week	1Q-25	2Q-25	3Q-25	4Q-25
DX	106-110	109.10	108.58	106.93	105.27
EUR/USD	1.02-1.06	1.03	1.03	1.05	1.06
GBP/USD	1.22-1.25	1.24	1.24	1.25	1.27
USD/CHF	0.88-0.92	0.91	0.91	0.90	0.88
USD/JPY	152-159	158	155	150	146
AUD/USD	0.61-0.65	0.62	0.63	0.64	0.66
NZD/USD	0.55-0.59	0.56	0.56	0.57	0.58
USD/CNY	7.22-7.29	7.37	7.30	7.23	7.15
USD/MYR	4.41-4.48	4.55	4.50	4.40	4.35
USD/SGD	1.34-1.37	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	2.75	2.50	2.00	2.00	2.00
BOE	4.75	4.50	4.25	4.00	4.00
BOJ	0.50	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	
31-Jan	UK Lloyds Business Barometer (Jan)	39	
	AU Private Sector Credit MoM (Dec)	0.50%	
	EC ECB 1 Year CPI Expectations (Dec)	2.60%	
	US Employment Cost Index (4Q)	0.80%	
	US Personal Income (Dec)	0.30%	
	US Personal Spending (Dec)	0.40%	
	US Core PCE Price Index YoY (Dec)	2.80%	
	US MNI Chicago PMI (Jan)	36.9	
	3-Feb	AU S&P Global Australia PMI Mfg (Jan F)	49.8
		AU Melbourne Institute Inflation YoY (Jan)	2.60%
JN Jibun Bank Japan PMI Mfg (Jan F)		48.8	
MA S&P Global Malaysia PMI Mfg (Jan)		48.6	
VN S&P Global Vietnam PMI Mfg (Jan)		49.8	
AU Retail Sales MoM (Dec)		0.80%	
AU Building Approvals MoM (Dec)		-3.60%	
CH Caixin China PMI Mfg (Jan)		50.5	
HK GDP Annual YoY (2024 A)		3.20%	
HK Retail Sales Value YoY (Dec)		-7.30%	
EC HCOB Eurozone Manufacturing PMI (Jan F)		46.1	
UK S&P Global UK Manufacturing PMI (Jan F)		48.2	
EC CPI Core YoY (Jan P)		2.70%	
SI Purchasing Managers Index (Jan)		51.1	
US S&P Global US Manufacturing PMI (Jan F)		50.1	
US Construction Spending MoM (Dec)		0.00%	
US ISM Manufacturing (Jan)		49.3	

Source: Bloomberg

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