

Global Markets Research

Daily Market Highlights

24-Dec: US consumer spending slowed in November

S&P 500 hit new record; oil prices rallied further

Dollar weakened against most G10 currencies

US personal spending cooled; data generally positive

- US stocks gained for the third consecutive session during a holiday-shortened trading week as investors assessed the overall solid US economic data and Omicron-related headlines. Both the Dow and S&P 500 gained 0.6% with the latter hitting a new record. Tech-focus NASDAQ rose 0.9%.
- US treasury yield climbed alongside the rise in global yields as positive risk sentiment flowed through the markets. US yields rose across the board by 2.4 to 5.6bps; the yield on the benchmark 10Y UST picked up 4.1bps to 1.49%.
- The dollar weakened further overnight, as the USD largely slipped against most currencies in the G10 basket. The EUR was flat while JPY suffered a moderate loss. As a result, the dollar index was marginally lower at 96.02.
- USD/MYR gave up recent gains, closing 0.3% lower at 4.2000. Extended weakness of the dollar looks likely to benefit the ringgit, but cautious market sentiment ahead of the weekend may still limit the pair's movement today, rendering a potential range of 4.1800-4.2150.
- Gold futures rose 0.5% to \$1811.20/oz as the USD weakened. The rally in crude oil prices extended to the third consecutive session thanks to upbeat sentiment. Brent crude registered a solid 2.1% gain overnight at \$76.85/barrel while WTI surged 1.4% to \$73.79/barrel.

US consumer spending slowed in November; core PCE inflation jumped; income expectations rose:

- Personal spending in the US grew at a smaller rate of 0.6% m/m in November (Oct: +1.4%). Consumer spending cooled last month, attributed to higher inflation as well as consumers bringing forward their holidays spending in anticipation of year-end shortages.
- Personal income showed a rather steady gain of 0.4% m/m (Oct: +0.5%) against a backdrop of robust labour market conditions. The core PCE inflation surged to 4.7% y/y, from 4.2% prior, as the generally solid spending and tight global supply continued to fuel inflation in the US.
- Separately, the University of Michigan Consumer Sentiment Index advanced to 70.6 in December, from 67.4 in November; the improvement in consumer sentiment reflects higher expectations for future income, partly because of the planned increase in social security payment to 5.9% in 2022.

Durable goods, new home sales data beat expectations:

- The US durable goods orders rose 2.5% m/m in November, higher than the estimated gain of 1.8%; additionally, orders in November were revised upwards to reflect a small 0.1% m/m gain, instead of the previously estimated decline of 0.4%. The core capital orders, a gauge of US capex slipped a little by 0.1% m/m,

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	35,950.56	0.55
S&P 500	4,725.79	0.62
NASDAQ	15,653.37	0.85
Stoxx 600	483.01	0.97
FTSE 100	7,373.34	0.43
Nikkei 225	28,798.37	0.83
Hang Seng	23,193.64	0.40
Straits Times	3,096.81	0.30
KLCI 30	1,516.42	1.07
FX		
Dollar Index	96.02	-0.06
EUR/USD	1.1327	0.01
GBP/USD	1.3408	0.42
USD/JPY	114.39	0.25
AUD/USD	0.7244	0.42
USD/CNH	6.3753	-0.04
USD/MYR	4.2000	-0.31
USD/SGD	1.3584	-0.26
Commodities		
WTI (\$/bbl)	73.79	1.42
Brent (\$/bbl)	76.85	2.07
Gold (\$/oz)	1,811.20	0.53

Source: Bloomberg, HLBB Global Markets Research

following an upwardly revised 0.9% gain. The strong order books in the US hint at solid future economic expansion and firmer business expectations.

- In the same month, The US new home sales rose by a whopping 12.4% m/m to a seven-month high of 744k annualised pace, smashing the consensus forecast of +3.4%; however, the double-digit gain was accompanied by a sharp downward revision to October's sales that indicates an 8.4% decline (versus +0.4% previously). The above-expectation performance of both new and existing home sales (+1.9% m/m) in November underscored strong US housing demand, thanks to continuous strength in the labour market.
- Initial jobless claims steadied at 205k last week (prior: 205k); the number of new unemployment benefit claimants remained at low levels last week, adding to firmer evidence of a tight labour market condition as US firms strive to fill vacancies.

Japan's inflation accelerated in November:

- Japan's CPI inflation came in at 0.6% y/y in November, reflecting the surge in prices of fresh food and utilities as well as a smaller contraction in transport & communication. The inflation ex-fresh food (the BOJ's main inflation gauge) surged to 0.5% y/y in November (Oct: +0.1%). Higher energy prices and more expensive prices of imported goods (thanks to weaker yen in recent months) were said to be driving up inflation. Nonetheless, the reading remains starkly below the BOJ's target of 2.0%, suggesting that the central bank would keep its ultra-loose policy intact.
- Machine tool orders fell 2.6% m/m in November (Oct: +3.2%), following two months of increase. Both foreign and domestic orders ticked lower. Compared to November last year, orders were 64.0% y/y higher (Oct: +81.5%) thanks to a smaller corresponding base.

Singapore CPI inflation surged to 3.8%:

- Singapore's CPI rose 1.0% m/m in November, translating to a y/y rate of 3.8%, from 3.2% previously. The core CPI inflation advanced slightly to 1.6% y/y (Oct: +1.5%), its steepest rate recorded since March 2019. The sharp climb in the headline rate reflects larger gains in prices of food, housing & utilities, household durables & services as well as transports, highlighting the impact of higher global energy prices as well as goods in general, resulting from the tight global supply.

House View and Forecasts

FX	This Week	4Q-21	1Q-22	2Q-22	3Q-22
DXY	95-97	94.50	95.00	95.50	96.50
EUR/USD	1.12-1.14	1.15	1.14	1.14	1.13
GBP/USD	1.32-1.34	1.35	1.35	1.34	1.33
AUD/USD	0.70- 0.73	0.72	0.71	0.71	0.70
USD/JPY	113-115	112	113	114	115
USD/MYR	4.18-4.23	4.15	4.15	4.15	4.15
USD/SGD	1.35-1.37	1.35	1.34	1.33	1.34

Policy Rate %	Current	4Q-21	1Q-22	2Q-22	3Q-22
Fed	0-0.25%	0-0.25	0-0.25	0.25-0.50	0.50-0.75
ECB	-0.50	-0.50	-0.50	-0.50	-0.50
BOE	0.25	0.25	0.50	0.50	0.50
RBA	0.10	0.10	0.10	0.10	0.10
BOJ	-0.10	-0.10	-0.10	-0.10	-0.10
BNM	1.75	1.75	1.75	1.75	1.75

Source: HLBB Global Markets Research

Up Next

Date	Events	Prior
24/12	SG Industrial Production YoY (Nov)	16.9%
27/12	JP Retail Sales MoM (Nov)	1.00%
	CN Industrial Profits YoY (Nov)	24.60%
	US Dallas Fed Manf. Activity (Dec)	11.8

Source: Bloomberg

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