

11 December 2023

Global Markets Research

Daily Market Highlights

11 Dec: Hotter than expected US job gains

More upbeat US labour data and consumer sentiment supported soft-landing scenario

Dial-back in rate cut bets sent UST yields, DXY, and equity markets higher

China's inflation fell at its steepest pace in 3 years; producer price deflation worsened

- US equity markets closed higher on Friday after the closely watched non-farm payrolls (NFP) data came in slightly hotter-than-expected and supported a soft-landing scenario. Topping the optimism was a more upbeat consumer sentiment, and as a result, all the 3 major indices closed up 0.4-0.5% d/d. Meanwhile, Lululemon reported better sales growth than expected, sending the retailer's shares up 5.4% d/d, while Paramount Global shares jumped 12.1% d/d on reports of takeover interest.
- The optimism also spilled over to the European markets, sending most major equity markets closing higher during the day, Asian stocks closed mixed, with Nikkei 225 falling 1.7% d/d on expectations that the central bank will end its negative interest rate policy soon.
- Treasuries sold off and yields climbed as aggressive rate cut bets were eased. The 2Y yield climbed 13bps to 4.72%, and the 10Y gained 8bps to 4.23%. 10Y European bond yields rose in tune to 4-13bps.
- DXY rallied from its day-low of 103.44 to as high as 104.26 post the NFP data, but closed the day just above the 104-handle at 104.01 (+0.5% d/d). The Dollar took back some losses from JPY, sending JPY depreciating 0.6% d/d to 144.95. European currencies also closed weaker in tune to 0.3% d/d. Closer to home, CNH and SGD weakened 0.2-0.3% d/d, while MYR strengthened 0.2% d/d to 4.6640.
- Oil prices found support from the stronger-than-expected employment data as well as on US' plans to refill its Strategic Petroleum Reserves, sending prices spiralling up between 2.4-2.7% d/d.

US' NFP topped expectations

- The labour market strengthened more than expected in November with pickups observed in employment and wages. Nonfarm payrolls (NFP) increased more than expected to +199k (Oct: +150k) and in tandem with this, the unemployment rate fell to 3.7% (Oct: 3.9%). The two months net revision was -35k. Data also showed that hourly wages picked up slightly to +0.4% m/m (Oct: +0.2% m/m) and average employees worked 34.4 hours per week (Oct: 34.3). All in, the stronger than headline gains supported a soft-landing scenario but continued to point to an easing labour market. Employment growth was still below the average of +240k over the prior 12 month and was largely driven by 2 sectors, health care and government, while the return of auto workers from a strike also helped boost headcount in the manufacturing sector.
- The University of Michigan Consumer Sentiment index rebounded more than expected to 69.4 in December (Nov: 61.3), erasing all declines from the previous four months. The uptick was primarily driven by improvements in the

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	36,247.87	0.36
S&P 500	4,604.37	0.41
NASDAQ	14,403.97	0.45
Stoxx Eur 600	472.26	0.74
FTSE 100	7,554.47	0.54
Nikkei 225	32,307.86	-1.68
CSI 300	3,399.46	0.24
Hang Seng	16,334.37	-0.07
Straits Times	3,110.73	1.19
KLCI 30	1,441.97	-0.06
FX		
Dollar Index	104.01	0.45
EUR/USD	1.0763	-0.29
GBP/USD	1.2549	-0.36
USD/JPY	144.95	0.57
AUD/USD	0.6579	-0.35
USD/CNH	7.1872	0.34
USD/MYR	4.6640	-0.24
USD/SGD	1.3421	0.22
Commodities		
WTI (\$/bbl)	71.23	2.73
Brent (\$/bbl)	75.84	2.42
Gold (\$/oz)	1,998.30	-1.56
Copper (\$\$/MT)	8,448.50	1.28
Aluminum(\$/MT)	2,134.00	0.07
CPO (RM/tonne)	3,607.00	0.85

Source: Bloomberg, HLBB Global Markets Research

* Dated as of 7 Dec for CPO

expected trajectory of inflation. Year-ahead inflation expectations plunged from 4.5% last month to 3.1% this month, its lowest reading since March 2021 and sitting just above the 2.3-3.0% range seen in the two years prior to the pandemic. Long-run inflation expectations eased to 2.8% (Nov: 3.2%), matching the second lowest reading seen since July 2021 but remained elevated relative to the 2.2-2.6% range seen in the two years pre-pandemic.

UK's inflation expectations moderated to 3.3%

- According to the BoE/Ipsos survey, median expectations of the rate of inflation over the coming year softened to 3.3% in November (Aug: 3.6%), but expectations in the longer term (5 years), ticked up to 3.2% (Aug: 2.9%). Separate data from Rightmove also showed that the contraction in house prices worsened for the second month to -1.9% m/m in December (Nov: -1.7% m/m).

Japan's Eco Watchers Survey unexpectedly improved

- Eco Watchers Survey Outlook unexpectedly rose to 49.4 in November (Oct: 48.4), underpinned by improvements in the employment and household sub-indices. The latest survey signals that the economy is expected to recover at a moderate pace amidst concerns about the impact of price hikes. Data this morning also showed that the BSI-Large All Industry index rose at a slower pace of 4.8ppts q/q in 4Q (3Q: +5.8) and is expected to moderate further to +3.2 in 1Q of 2024 and +1.5 q/q in 2Q of 2024, weighed down by the non-manufacturing sector.

China's inflation fell at its steepest pace in 3 years

- Consumer prices (CPI) unexpectedly fell at its fastest pace in three years in November (-0.5% y/y and -0.2% y/y), while producer price deflation deepened to -3.0% y/y (Oct: -2.6% y/y). Food prices, namely slumping pork prices were the main drag to CPI. Services inflation also posted a marginal +1.0% y/y increase, reflecting still sluggish domestic demand, while tourism price inflation cooled as travel-related demand waned post "Golden Week" holiday. With deflation risks expected to persist in the short term, indications are that Beijing will step up more fiscal support to support domestic demand and to ensure that the economy progresses.

House View and Forecasts

FX	This Week	4Q-23	1Q-24	2Q-24	3Q-24
DX	102-105	107	107	106	105
EUR/USD	1.06-1.10	1.04	1.04	1.04	1.05
GBP/USD	1.24-1.28	1.20	1.20	1.20	1.21
USD/JPY	141-146	150	147	144	141
AUD/USD	0.65-0.68	0.64	0.65	0.66	0.67
USD/MYR	4.64-4.69	4.74	4.69	4.65	4.60
USD/SGD	1.32-1.36	1.38	1.37	1.35	1.34

Rates, %	Current	4Q-23	1Q-24	2Q-24	3Q-24
Fed	5.25-5.50	5.25-5.50	5.25-5.50	5.25-5.50	5.00-5.25
ECB	4.50	4.50	4.50	4.25	4.00
BOE	5.25	5.25	5.25	5.00	4.75
BOJ	-0.10	-0.10	-0.10	-0.10	-0.10
RBA	4.35	4.35	4.35	4.35	4.10
BNM	3.00	3.00	3.00	3.00	3.00

Source: HLBB Global Markets Research

Up Next

Date	Events	Prior
11-Dec	MA Industrial Production YoY (Oct)	-0.50%
	MA Manufacturing Sales Value YoY (Oct)	-1.90%
11-18 Dec	CH FDI YTD YoY CNY (Nov)	-9.40%
12-Dec	AU Westpac Consumer Conf Index (Dec)	79.9
	JN PPI YoY (Nov)	0.80%
	AU NAB Business Confidence (Nov)	-2
	UK Payrolled Employees Monthly Change (Nov)	33k
	UK Weekly Earnings ex Bonus 3M/YoY (Oct)	7.70%
	EC ZEW Survey Expectations (Dec)	13.8
	US NFIB Small Business Optimism (Nov)	90.7
	US CPI Ex Food and Energy YoY (Nov)	4.00%
	US Real Avg Weekly Earnings YoY (Nov)	0.00%

Source: Bloomberg

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