

12 December 2023

Global Markets Research

Daily Market Highlights

12 Dec: Markets held back bets ahead of US CPI print

UST yields closed mixed between -1 to +2bps; DXY closed just above the 104-handle

JPY weakened on wagers that the BOJ will not exit the negative rates next week

Malaysia registered first IPI growth in 3 months; 4Q GDP to hold steady above 3.0%

- Global markets were largely mild, as traders held off big bets ahead of the US CPI report followed by a slew of central bank meetings later in the week. The three major US indices closed the day up 0.2-0.4% d/d amidst a rally in chipmakers like Intel Corp. and Broadcom Inc. Macy's shares also jumped 19.4% d/d after the department store operator received a \$5.8bn buyout offer.
- European markets also closed mostly in the green as focus shifted to central banks meetings this week. Syensqo shares jumped on the first day of trading. Asian markets, meanwhile, closed mixed. CSI 300 reversed course to close 0.6% d/d higher after the weaker-than-expected China price prints pushed them lower earlier in the session. Nikkei 225 jumped 1.5% d/d on growing bets that the Bank of Japan (BOJ) might not exit the negative interest rates regime next week.
- Treasury yields barely moved. The 2Y dipped 1bps to 4.71%, while the 10Y inched up 1bps to 4.23%. 10Y European bond yields closed mixed between +/- 4bps.
- DXY held onto the 104 level, but barely, drifting down from its session high of 104.26 to close at 104.10 (+0.1% d/d). European currencies appreciated marginally by less than 0.1% d/d each against the Dollar, but JPY weakened 0.8% d/d as expectations for the BOJ to exit the negative rates were pushed out into 2024 from next week. CNH weakened to its 3-week low of 7.1943 on deflation concerns in the country, while MYR and SGD depreciated by 0.4% and 0.1% d/d respectively to 4.6832 and 1.3438.
- Oil prices closed slightly higher between 0.1-0.3% d/d in a lukewarm session as worries persisted around crude oversupply. This week, traders will be monitoring reports from the International Energy Agency, OPEC and US Energy Department for more clues on market fundamentals.

New York Fed's inflation expectations declined to its lowest since 2021

- The 1Y median inflation expectations moderated to 3.4% in November (Oct: 3.6%), its lowest reading since the series began in 2021, but were unchanged at 3.0% and 2.7% at the 3- and 5Y ahead horizons. The survey also showed that labour market expectations were mixed, household finance perceptions and expectations were mostly unchanged, while credit access perceptions and expectations both improved slightly.

Australia's consumer confidence rebounded post RBA pause

- Westpac Consumer Confidence index edged up by 2.7% m/m to 82.1 in December (Nov: -2.6% m/m to 79.9) after the RBA resumed its interest rate

Key Market Metrics

	Level	d/d (%)
Equities		
Dow Jones	36,404.93	0.43
S&P 500	4,622.44	0.39
NASDAQ	14,432.49	0.20
Stoxx Eur 600	473.70	0.30
FTSE 100	7,544.89	-0.13
Nikkei 225	32,791.80	1.50
CSI 300	3,419.46	0.59
Hang Seng	16,201.49	-0.81
Straits Times	3,090.20	-0.66
KLCI 30	1,446.39	0.31
FX		
Dollar Index	104.10	0.08
EUR/USD	1.0765	0.02
GBP/USD	1.2555	0.05
USD/JPY	146.16	0.83
AUD/USD	0.6568	-0.17
USD/CNH	7.1943	0.10
USD/MYR	4.6832	0.41
USD/SGD	1.3438	0.13
Commodities		
WTI (\$/bbl)	71.32	0.13
Brent (\$/bbl)	76.03	0.25
Gold (\$/oz)	1,978.00	-1.02
Copper (\$\$/MT)	8,341.00	-1.27
Aluminum(\$/MT)	2,117.00	-0.80
CPO (RM/tonne)	3,607.00	0.85

Source: Bloomberg, HLBB Global Markets Research

* Dated as of 8 Dec for CPO

pause. Nonetheless, the index at this level, remained deep in pessimistic territory, weighed down by the gauge of household spending “the time to buy a major household item” (-3.8% m/m). The report showed signs that pressure on household may start to ease, with the assessment of family finances compared to a year ago” rising 5.9% m/m.

Japan’s PPI grew by 0.2% m/m on higher commodity prices

- Matching expectations, producer price inflation (PPI) rebounded to +0.2% m/m in November (Oct: -0.3% m/m). This comes after two consecutive months of declines, driven by higher prices for petroleum & coal products as well as nonferrous metals.

Malaysia registered first IPI growth in three months; domestic sectors supported manufacturing output

- Malaysia’s IPI growth rebounded more than expected by +2.7% y/y in October (Sep: -0.5% y/y), its first expansion in 5 months and its strongest since May 2023. The uptick was primarily driven by a turnaround in the mining sector (+8.7% y/y vs -5.2% y/y), specifically due to output of crude oil & condensates and natural gas, while the electricity and manufacturing sectors also expanded at a faster pace of +5.8% y/y and +0.9% y/y respectively (Sep: +2.5% y/y and +0.4% y/y). The latter was primarily underpinned by quicker growths in domestic-oriented sectors (+6.7% y/y vs +5.8% y/y), while export-oriented industries remained contractionary, albeit with a smaller negative of -1.5% y/y (Sep: -2.0% y/y).
- Available data so far suggests that the Malaysian economy has probably sailed past its trough in 2Q and 4Q GDP should hold steady at least at +3.1% y/y (3Q: +3.3% y/y). All in, we are pencilling in a full year forecast of 3.6% in 2023 and 4.7% in 2024.

House View and Forecasts

FX	This Week	4Q-23	1Q-24	2Q-24	3Q-24
DXY	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
12-Dec	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%

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13-Dec	JN Tankan Large Mfg Index (4Q)	9
	AU CBA Household Spending MoM (Nov)	-1.00%
	UK Monthly GDP (MoM) (Oct)	0.20%
	EC Industrial Production SA MoM (Oct)	-1.10%
	US MBA Mortgage Applications	2.80%
	US PPI Final Demand YoY (Nov)	1.30%

Source: Bloomberg

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